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Durham University

School of Government and International Affairs

**An Investigation into SMEs' Perceptions of
Credit Guarantee Corporation (CGC)
Malaysia Berhad: A Case Study of Islamic
Guarantee Scheme in Malaysia**

by

Amirul Afif Muhamat

Dissertation submitted in fulfillment of the requirements
for the Degree of Master of Arts by Research in Islamic
Finance at the School of Government and International
Affairs, Durham University

December 2008

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23 JUN 2009



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the name of Allah, The Most Gracious and The Most Compassionate.

Praise to Allah due to His blessings and guidance have enabled me to complete this study successfully. There are several persons who I regard very important in helping me to complete this research, either directly or indirectly. A special thanks is dedicated to Dr Mehmet Asutay for his teachings, ideas and advice throughout the supervision period. The same appreciation also goes to Prof. Rodney Wilson for his help and advice. Furthermore, I would like to thank the persons who are instrumental in my life especially my family and fiancée, Norfaridah for their prayers, advice and patience. Their love motivates and eases me in completing this dissertation. My sincere thanks also goes to the Malaysian government and Universiti Teknologi MARA for sponsoring and giving me chance to pursue a Masters degree in Islamic Finance at Durham University.

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Amirul Afif Muhamat

An Investigation into SMEs' Perceptions of Credit Guarantee Corporation (CGC) Malaysia Berhad: A Case Study of Islamic Guarantee Scheme in Malaysia

Abstract

Small and Medium Sized Enterprises (SMEs) are considered as backbone of the national economies, whether developing, or developed nations, due to their contribution to economic growth and capital accumulation. In Malaysia, therefore, the government has formulated various strategies to encourage development of the SMEs with the objectives of economic growth, capital accumulation and creating employment opportunities. One of such strategies resulted in the formation of Credit Guarantee Corporation, as a guarantor for the SMEs.

The booming phenomenon of Islamic finance especially in Malaysia has influenced the CGC to come up with Islamic guarantee scheme, parallel with the demand of Islamic financing products in the country. However, since the scheme was introduced by the Corporation, in general, the performance of the Islamic guarantee scheme has not performed as expected and has not been as competitive as the conventional guarantee scheme, even though the scheme has recorded positive growth for its products since the inception.

This study, therefore, aims to explore the various demand conditions for the Islamic guarantee scheme with the objective of finding possible solutions for the gaps exist in the scheme. A survey schedule was conducted through e-mail questionnaires directed to the SME entrepreneurs. The data was analyzed by using SPSS version 15. The findings indicate that there are some gaps in the scheme's operations pertaining to promotional aspects, product development, staff competency, and government involvement. Hence, the effectiveness of the Islamic guarantee scheme can be questioned, although, undeniably there are some who have benefited from the services.

It should also be stated that the majority of the entrepreneurs, due to such reasons, are excluded benefiting the positive side of the Islamic guarantee scheme due to the glitches in the system. This study, therefore, concludes that improvements related to various aspects of the CGC are needed in order to ensure that the Islamic guarantee scheme is continuously expanding in the future.

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Definition of terms

- 1.9.1 CGC = Credit Guarantee Corporation
- 1.9.2 SMEs= Small and Medium Enterprises
- 1.9.3 GDP = Gross Domestic Product
- 1.9.4 NPGS= New Principal Guarantee Scheme (a conventional guarantee scheme)
- 1.9.5 IBGS = Islamic Banking Guarantee Scheme
- 1.9.6 DAGS= Direct Access Guarantee Scheme (a conventional guarantee scheme)
- 1.9.7 DAGS-i= Direct Access Guarantee Scheme Islamic
- 1.9.8 ENHANCER= Credit Enhancer Scheme (a conventional guarantee scheme)
- 1.9.9 ENHANCER-i= Credit Enhancer Scheme Islamic
- 1.9.10 UNIDO= United Nations Industrial Development Organization
- 1.9.11 BMA= Bank Marketing Association (an affiliate of American Bankers Association)
- 1.9.12 CGS= Credit Guarantee Scheme

Chapter 1:

Introduction

1.1 Introduction

Small and medium sized enterprises (henceforth SMEs) form part of important commercial and industrial activities in Malaysia. In operational nature, SMEs are often small and inexperienced as compared to many larger and well established multinational companies. Therefore, “banks are reluctant to lend money to SMEs as quite a substantial amount of risk is involved in SMEs lendings” (Camino and Cardone reported by Ong *et al.*, 2003:143), as “when a particular company default the payment it would affect the bank’s lending ability in the future” (Ong *et al.*, 2003:144). Ong *et al.* (2003:144) argued that in many countries, the needs to obtain credit is exceeding the availability of the loans, thus to some extent the returns does not match for the risk associated when giving out the loans, since most banks are net lenders in nature.

In illustrating the phenomenon brought by credit risk, Labourge and Schlesinger (2005:118) state that “credit risk is pervasive throughout financial markets. Traditionally, various financial institutions have assumed the burden of credit risk. Banks bear the credit risks attached to bank loans and forward contracts. Credit insurance companies have provided coverage for the commercial credit risk faced by suppliers of consumer and investment goods and services.” It shows that the financial institutions require someone to be as a guarantor that can absorb the risks as a result of the business transaction.

Various institutions or organizations have been established in order to provide a range of facilities to help the companies and financial institutions deal with credit risks, “such as default swaps, credit spread options and total-rate-of-return swaps” as been pointed out by Labourge and Schlesinger (2005:118). “In order to facilitate securitization and the participation of mainstream investor it may be necessary to provide ‘additional comfort’ to these investors through several forms of credit enhancement” (Ananth, 2005:63). She



clarifies further that “over a period of time with sufficient familiarity and experience of investing in microfinance portfolios, the levels of credit enhancements can be tapered.” For instance, Ananth (2005) in the case of India, provides several components that can contribute to the credit enhancements:

(i) Originator provided: The originator (microfinance institution or the bank) provides a guarantee or cash collateral either in part or full.

(ii) Structural: Structural credit enhancement is achieved by distribution of risks among investors with different risk appetites and through tranching securitization. Tranching is possible with issuance of multiple tranches of securities with a pre-determined priority in their servicing, whereby first losses are borne by the holders of the subordinated tranches. In certain structures, the originator retains a subordinate tranche. In this case, the subordinate tranche can be retained by the originating microfinance institution or bank.

(iii) Third party provided: There could be specialized third-party entities that provide credit enhancement. In the USA, there are examples of third-party agencies contributing significantly to catalyzing new assets classes. For mortgage financing, the relevant examples are the Federal Housing Administration and the Federal Home Loan Mortgage Corporation. The objective is to develop a secondary market in mortgage financing. The Small Business Administration (SBA) similarly issues guarantees and pools loans given to small businesses and securitizes them for sale to the investors.

Since similar issues are common in Malaysia, Credit Guarantee Corporation Malaysia Berhad (henceforth CGC) plays an important role as a guarantor to SMEs in Malaysia. CGC is one of the development financial institutions that work closely with Ministry of Entrepreneur and Cooperation Development (MECD), and it is owned by Bank Negara Malaysia (the Central Bank) and all commercial banks and finance companies (iGuarantee portal, January 24, 2008). Boocock and Noor (2005:430) mention that “despite this joint ownership, BNM has exerted a significant influence on its partner institutions through the mechanism of the lending guidelines. Within the overall targets set for SME lending, a specified amount had to be undertaken under the CGC facilities.” It is proven that since “its establishment in year 1972 until now”, many entrepreneurs and companies have been given credit guarantee, which contribute to the expansion of many

types of businesses from the agriculture sector until manufacturing sector (CGC's 2006 annual report: 26). The value of funds that have been given out as guarantee is increasing from time to time. The mission of CGC is to help SMEs that do not have collateral or record in securing any loan from financial institutions (CGC's 1993 annual report: 13). By establishing CGC, banks can minimize risk in providing loans to SMEs, as part of the risk has been insured for a nominal guarantee fee.

There are various schemes that been offered by CGC to the entrepreneurs community in Malaysia. Each scheme is different in nature and formulated to achieve and serve a particular target group or audience. As Malaysia is practicing dual-banking systems (conventional and Islamic banking operates alongside each other) and intends to be an Islamic financial hub in the region, CGC has come out with its Islamic schemes in order to fulfill the government aspirations. The schemes are Islamic Banking Guarantee Scheme and Direct Access Guarantee Scheme (CGC 2006 Annual Report: 26).

1.2 Background of the Study

This is a novel attempt to study of the measurement of the effectiveness of guarantee scheme that follows Islamic principles, offered by Credit Guarantee Corporation Malaysia Berhad (CGC). Existing literature that discusses Islamic guarantee scheme is very scarce, except for Boocock and Noor's (2005) study, which is very akin to this research. Boocock and Noor discuss the effectiveness of conventional guarantee scheme (known as New Principal Guarantee Scheme) provided by Credit Guarantee Corporation Malaysia Berhad or known as CGC (2005). The main difference is that their paper focuses on conventional scheme, whereas this study intends to explore the elements that contribute to the effectiveness of the Islamic guarantee schemes provided by the Corporation. These findings may be useful to other countries or entities that want to implement the same schemes or programs in their countries or organizations.

There are three types of Islamic guarantee schemes that are offered by CGC, as stated in the Corporation's website (Jan 28, 2008): Islamic Banking Guarantee Scheme (IBGS), Direct Access Guarantee Scheme-Islamic (DAGS-i) and Credit Enhancer-Islamic Scheme (Enhancer-i). The details of the schemes and their features are discussed later.

1.3 Research Aim and Objectives

This study aims to explore and measure the demand and supply conditions for the services offered by CGC by paying particular attention to the elements that contribute to the effectiveness of Islamic guarantee schemes provided by CGC, and also to investigate and evaluate as to why these schemes cannot match or surpass the performance of the conventional schemes.

The research objectives, hence, are:

- (i) To determine the awareness and perception of the entrepreneurs pertaining to Islamic guarantee schemes provided by Credit Guarantee Corporation;
- (ii) To measure the efficiency of the *Shariah* compliant schemes provided by CGC in helping SMEs to expand their businesses by locating the demand and supply related issues;
- (iii) To examine the relationship between awareness and perception aspects regarding Islamic guarantee schemes so that the CGC can develop effective marketing strategies and features for its products;
- (iv) To assemble data to respond to the identified aim, questionnaires are distributed to collect primary data.

1.4 Research Questions

The following research questions are formulated to fulfill the identified aim of this study:

- (i) To what extent are entrepreneurs aware of the Islamic guarantee schemes provided by the Corporation and what are their perceptions of the scheme?
- (ii) What is the niche criteria offered by the Islamic guarantee schemes and how does it differ from the conventional guarantee schemes?
- (iii) What is the impact brought by Islamic guarantee schemes toward the SMEs that utilizing the schemes?
- (iv) How does the implementation of marketing for the Islamic guarantee schemes work?

(v) Are the sales officers that deal with the Islamic guarantee schemes possessed relevant expertise or qualifications in this area (Islamic finance or banking)?

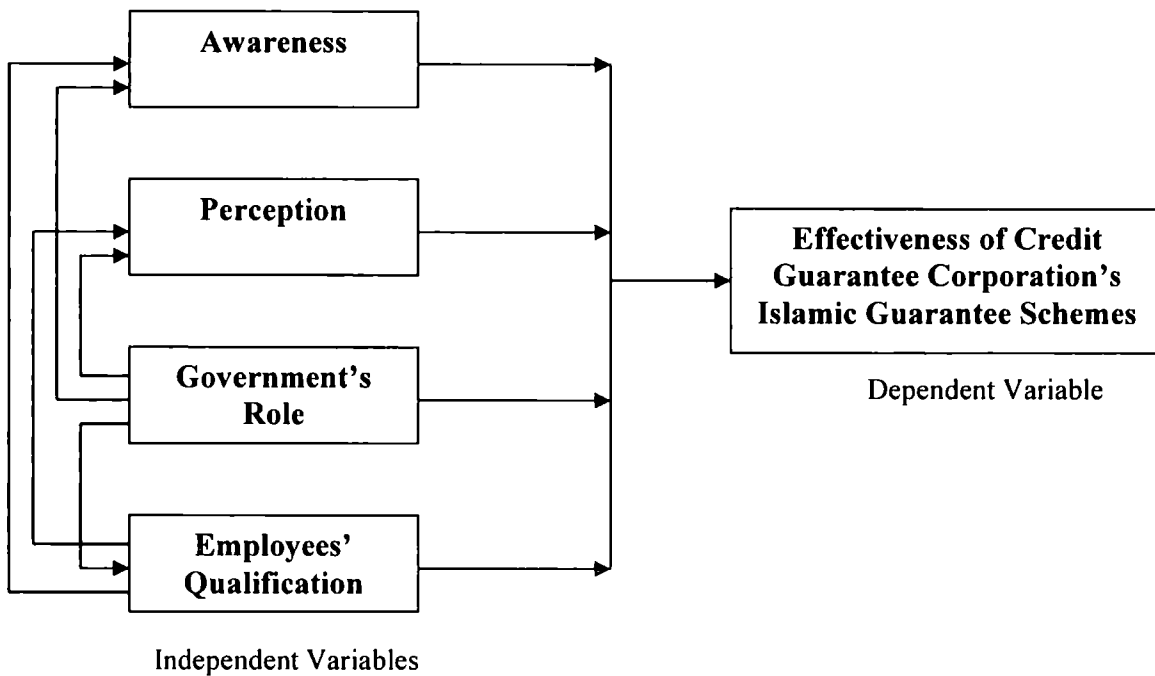
1.5 Scope and Design of the Study

This study focuses on CGC's Islamic guarantee schemes, which are Islamic Banking Guarantee Scheme (IBGS), Direct Access Islamic Guarantee Scheme-Islamic (DAGS-i) and the latest one is Credit Enhancer Islamic Scheme (ENHANCER-i). However, since the ENHANCER-i was recently launched in January 2008, the information on the scheme might not be as widely available as much as the other two Islamic schemes. This study examines the performance of the Islamic schemes from 2002 until 2006, whereby the effectiveness of the schemes and the elements that might contribute positively, or being as hindrance to the development of the schemes are also examined.

Based on the theoretical and practical experience, the variables in this study, either independent or dependent, are constructed after going through several processes, which are interviews (with the CGC's officer), literature survey, discussions and personal intuitions. The design framework shows the relationship between each variable, the influence magnitude of the variables, and the importance of understanding the variables in order to derive important information from the case study, which is CGC. The researcher has developed four independent variables in his research framework (as shown in Diagram 1.1), which are: awareness, perception, government's role, and employees' qualification.

These four independent variables determine the dependent variable, which is the effectiveness of CGC's Islamic Guarantee Schemes. Moreover, the framework also shows that any activities or policies implemented by the government that can influence the Corporation especially the Islamic guarantee schemes, will render either positive or negative impact towards the three independent variables, which are awareness, perception and employees' qualification. The same impact will surface if the Corporation makes any changes on its employees' qualification as it can bring either favorable or unfavorable impact towards the two other independent variables which are awareness and perception.

Diagram1.1: Modelling the Research



Awareness and perception are viewed as ‘external elements’, in the sense that most of the initiative will be initiated by the person or in this situation, the SMEs themselves. The Corporation can try to influence these elements by conducting or formulating activities and programs that can affect the level of awareness and perception of the Corporation and its products, but the Corporation cannot enforce the SMEs to engage the services. Whereas, employees’ qualification can be seen as an ‘internal element’ meaning that the Corporation has the authority or absolute power to control this factor. Furthermore, government’s role is a factor that is quasi controllable. Quasi controllable indicates that the Corporation can influence the government policies regarding the Corporation by providing ideas, advice, reports and conducting meetings with the government officers. This is viable since CGC is one of the agencies established by the government to help the SMEs in financial aspects. Therefore, the government will take into consideration every idea or suggestion raised by the Corporation.

1.6 Significance of the Study

It is expected that this research should be able to determine CGC's level of effectiveness on its Islamic guarantee schemes and how the entrepreneur communities perceive the schemes and their awareness about them. Therefore, the findings will enable CGC to make improvement accordingly.

The findings from this research can be used by other countries or institutions that want to develop their own Islamic guarantee schemes in their countries, or as additional financial products for their businesses.

This study can also function as a stepping-stone for the entrepreneur communities to realize about the Islamic guarantee schemes offered by Credit Guarantee Corporation (CGC). Moreover, this can help to increase the Islamic equity in the country and assist the government to make Malaysia as an Islamic financial hub in the region.

If the public, especially Muslim entrepreneurs aware that CGC offers Islamic guarantee schemes, then they must realize that they have to use the facilities instead of using the conventional schemes for businesses expansion. As Muslims are urged by Allah to conduct their businesses by avoiding any prohibited elements such as usury, uncertainty, gambling and other elements that contradict the Islamic teachings.

1.7 Research Methodology

This research utilizes primary data assembled through questionnaires conducted with local SMEs community and also an expert CGC's officer. Moreover, secondary information such as annual reports, newspapers cuttings, magazines and journals are also used in this research. The questionnaires aim to measure the respondents' feedback on CGC's Islamic schemes.

1.8 Overview of the Research

Chapter 2 elaborates on the literature review of credit guarantee especially on the current practices that engage conventional methods. In the following chapter (Chapter 3), the study evaluates the essential information on CGC and the Islamic guarantee schemes in Malaysia (their mechanism and operations). There is a brief overview on SMEs in Malaysia in Chapter 4, followed by the research methodology aspects in Chapter 5.

Furthermore, the results of the empirical evidence in measuring the perceptions and awareness of the Islamic guarantee schemes in Malaysia are tabulated and analyzed in Chapter 6. Chapter 7 and Chapter 8 provide discussion and conclusion on the essential findings from the research respectively.

Chapter 2:

Credit Guarantee Scheme: A Literature Review

2.1 Introduction

This chapter presents a survey of the available literature in the area of credit or loan guarantee. In addition, since this study investigates credit loan guarantee schemes available for SMEs, this chapter discusses SMEs. Furthermore, literature related to factors affecting the effectiveness of a particular scheme or program, such as awareness, perceptions, government role, and employees' qualification are also discussed. Theoretical framework as part of literature survey illustrated in this chapter constitutes the base upon which the hypotheses that are proposed as part of the research of this study are constructed.

2.2 Credit Guarantee

“Governments across the globe are increasingly utilizing credit guarantee schemes to support SMEs” (Boocock and Shariff, 2005:427) with the objectives of developing SMEs and hence enhancing their contribution to the economy. To provide a historical context for this, Green (2003), a consultant with UNIDO, states that credit guarantee scheme has been put into practice widely in the European countries as early as 19th century, as an instrument to spur economic growth led by private sectors. The mechanism of credit guarantee then and now is more or less similar, in the sense that there is one party that applies for financial assistance (borrower), and a second who is the guarantor on the behalf of the borrower. Hence, if there is a default, the guarantor will step in to ensure that the lender will receive the payment as promised in the contract.

As the existing literatures indicate, Credit Guarantee Schemes (CGS) are organized in various ways. Green (2003: 5) classifies them into several types of guarantee systems: mutual guarantee associations, publicly operated national schemes, corporate associations, schemes arising from bilateral or multilateral cooperation, and schemes operated by NGOs. In case of Credit Guarantee Corporation Malaysia Berhad (CGCMB),

the Corporation would fall in the category of public operated national scheme, due to the nature of ownership in CGC, which is like a consortium led by Central Bank and other commercial banks in Malaysia. The following section aims to provide the characteristics of each scheme, based on Green (2003:18):

a. Mutual Guarantee Associations

Mutual guarantee associations are private societies formed by potential borrowers with limited access to bank loans. Depending on the environment, they are known as *mutual guarantee associations/societies/funds* (Anglophone countries), *sociétés de cautionnement mutuel* (Francophone countries) or *sociedades de garantía recíproca* (Hispanic countries). These types of guarantee agencies are particularly popular in Europe and South America. Co-operation of the individual associations on an international level takes place through the *Association Européenne du Cautionnement Mutuel* (AECM) and the *Asociación Latinoamericana de Entidades de Garantía* (ALEGA) as well as the *Red Iberoamericana de Garantías* (REGAR).

b. Public Guarantee Schemes

State guarantee schemes are run either by an administrative unit of the government (e.g. development agencies, ministries, the central bank or publicly-owned banks) or by a legally separate credit guarantee organization. Resources usually take the form of periodic appropriations, i.e. continued subsidies, or of a fixed fund. Public guarantee schemes still represent the majority of guarantee schemes worldwide. Unlike profit-oriented private guarantors, the main rationale behind public schemes is the state's expectation that better access to finance for small firms will lead to the creation of new enterprises, new employment possibilities, and ultimately a higher rate of economic growth.

c. Corporate Guarantee Schemes

In recent years, efforts have been made to encourage private participation in guarantee schemes. Many schemes are now corporately managed by participating banks, chambers of commerce, or by the entrepreneurs themselves. Funds come from initial capital

provided by the private owners or from public sources as well as donor contributions. Governments, thus, often continue to exert influence on these schemes, for example by reserving the right to appoint part of the management. There is argument that private guarantors cannot compete with the government in establishing confidence in their ability to pay claims. A well-endowed fund is therefore a prerequisite to create credibility.

d. International Schemes

Some schemes have come into existence as a form of multilateral or bilateral development cooperation. In addition to providing the funding, various organizations often provide technical assistance in designing and implementing the schemes. In all cases, a local organization is needed to assist in the implementation process. This may be a public institution (*e.g.* a ministry, a national development organization, or the central bank), financial institutions, private associations, or NGOs (such as FUNDES).

2.3 Operational Mechanism of Guarantee Extension

In addition to the operators, guarantee schemes can be classified according to the methods used in guarantee extension. Three basic operational mechanisms exist: the selective, portfolio (global), and intermediary approach. In contrast to the selective and portfolio approach, the intermediary mechanism is distinct in that it introduces an additional actor in the process and is most often used by NGOs to target micro enterprises specifically.

Hanson (1983) argues that the most important problem of SMEs is having no access to sufficient financing. Furthermore, he illustrated that the absence of appropriate way to get financing would bring devastating consequences such as innovation and business development would be monopolized by those who have surplus of money, however the potential successful entrepreneurs lacking of financing would be isolated or lop off from the economic system, which in the end brings disaster to the country's economy (taken from Nitani and Riding, 2005:49-50). As a result, credit guarantee has been suggested as a mechanism to improve the situation.

In general, three parties are involved in the credit guarantee programs: lender, borrower, and guarantor (Nitani and Riding, 2005:50; Green, 2003:18). Each party has different objectives in the transaction; the borrower (the SME) requires the loan in order to fulfill the business' plan, meanwhile the lender is normally characterized by a private financial institution which seeks to profit from the transaction, whereby the guarantor is usually the trade association or the government, which helps to facilitate the process between the two parties by charging some amounts of fees.

The purpose of credit guarantee's creation is to help SMEs solve their problems in order to find financing for their businesses expansion. Based on Green (2003:18), four main factors can be attributed to banks' reluctance in giving credit to SMEs: asymmetric information, lack of collateral, high-risk perception and high administrative cost for small-scale lending. Although all firms are subject to problems associated with capital market imperfections, SMEs appear to be particularly affected (Storey, 1994).

(i) Asymmetric information

Stiglitz and others (Greenwald et al., 1984; Stiglitz and Weis: 1981) demonstrate "how such asymmetries can result in credit rationing. Under condition of perfect information, each borrower will be charged an interest rate that reflects the risk involved in the proposition" (taken from Boocock and Md Nor, 2005:431). "Stiglitz and Weiss had mentioned that externalities and asymmetries with respect to information are among the credit market impections [sic] most often noted and used to justify interventions" (Camino and Cardone, 1999:14).

The effect of asymmetric information as illustrated by Green (2003: 10) is very clear. She describes that in order to obtain a fair allocation of resources; the information about the market should be made known to every market participant. However, in practice, this does not happen in the financial market, the borrowers always know about the viability of the projects and their ability to repay the loan compared to lender. Therefore, the lender is in a situation, in which they do not know the profit that can be gained from the projects,

the status of creditworthiness of the borrower, plus the uncertainty is increased with the length of repayment period.

Boocock and Md Nor (2005: 431) citing Cowling and Mitchell (2003) and Tucker and Lean (2001) in their study state that “in practice bank raise the interest rates for SMEs to a point where excess demand still exists and then fail to monitor lending effectively.” Stiglitz and Weiss argued that two main reasons caused by asymmetric information are adverse selection and the effect on borrower’s action or moral hazard (1981:393). Green (2003:11) describes that there is a positive relationship between the interest rate and the default risk of the loan. The higher interest rate imposed on the loan, the higher the default payment of the loan will be. This happens as a result of adverse selection, which will push out the responsible borrowers and leaving the risky borrowers in the pool of potential clients, and cause the high risk projects to become the first priority to be given financing in order to compensate the higher interest rate imposed on the loan. Furthermore, it also will eliminate the low risk projects from the pool of potential financing. Moral hazard will cause the borrowers to be more interest-sensitive group, since any changes to interest movement will cause the borrowers to switch towards riskier projects (Boocock and Md Nor, 2005:50).

(ii) Lack of collateral

Feder and Feeney argue that “the inherently risky business of lending, necessitating the use of collateral on loans reduces uncertainty and moral hazard problems for creditors and that collateral is more valuable the more immobile and immune to damage it is” (taken from M.G. Maiangwa et al, 2004:474). Levitsky and Prasad, on the other hand suggest that one of the purposes of credit guarantee is to help “... [those who] are unable to provide adequate collateral or which do not have a suitable record of financial transactions to prove that they are creditworthy” (taken from Camino and Cardone, 1999:27).

Green (2003) describes collateral as a valuable possession that can lower the risk of the commercial banks when giving out loans. Furthermore, it also indicates the desire of the

borrower in paying for the debt and signaling the quality of his project. In worst case scenario when there is default, the collateral will be used to bail out the borrower's loan. The importance of collateral in financial dealings involving loans has caused the banks to use stringent criteria before the property or item can be accepted as collateral, such as the costs of verifying ownership of assets, determining their value and marketability as well as their appropriability and access in comparison to other lenders.

(iii) High administrative costs

Another issue in the credit guarantee scheme is high administrative costs involved. Nitani and Riding (2005: 50), therefore, states that "for new or small businesses the high fixed costs of evaluation may prompt the lender to refuse a loan application." The argument is supported by Green (2003: 10) who further adds economies of scale as another factor. Servicing small firms do not give the bank advantage in term of economies of scale, as the costs of servicing them is the same as servicing the large companies, but the profits gain from such transaction is lower for the small firms compared to the large ones. This will lead to inefficiency in terms of per unit costs. The situation is depicted in a study done by Gudger (1997: 32) who points out that Caja Social (a Colombian financial institution that managed small loans) experienced a relatively high costs for administering small loans, ranging from 11% to 13% of the portfolio's value per year. As a consequence, banks prefer to focus on big firms rather than small, in order to ensure their profitability position is secured.

(iv) High risk perception

Generally, banks have imposed unfair perception on the SMEs which is instigated by several factors, such as the smaller size of the firms and the longevity existence of the SMEs which is generally very short (these factors had caused them lack of experience in management, inefficient in financial record system, and lack of collateral). Furthermore, the banks also perceive high risk in terms of the vulnerability of the small firms towards external business risks such as market fluctuations and exchange rate. As a result, their financial track records do not reflect the right situation and hardly accessible to the banks,

causing the banks to be very selective and sometimes unwilling to grant the loan to the entrepreneurs (Green, 2003: 12).

As a result, due to such major problems, credit guarantee schemes have been designed to overcome the dilemma faced by SMEs and tend to realize financial and ultimately, economic additionality (Green, 2003: 16). Benefits that can be gained from credit guarantee schemes are not only confined to finding access for credit, but also there are many other advantages such as improving the terms loans for medium enterprises, even though the companies may have already secured access to credit. Furthermore, credit guarantee schemes are also intended to reduce social tensions in certain countries, empowering marginalized groups or re-build process of a war-torn country. Meanwhile, in developed economies, credit schemes are more likely to act as correctors of the credit market, but for developing economies, credit schemes are seen as a development instruments (Green, 2003:16).

2.3.1 Effectiveness

The idea of effectiveness is not really clear as it depends on each organization's objectives, in contrast, the ineffectiveness may happen due to the failure to achieve the specified objectives (Shipman, 1969: 206). There are seven ways of measuring the organization's effectiveness in a different situation, which are rational goal, systems resource, managerial process, organizational development, functional, bargaining and structural functional, whereby, each element has its own advantages (Cunningham, 1977: 464).

The goal approach is the popular method in assessing the effectiveness by measuring the degree of goal-achievement (Price, 1971: 3). For example, if the goals are 90% completed, it means that the organization is nearly achieving its objectives, whereas, if the completion is around 50%, then the organization is underachievement. Cunningham (1977: 464) preferred approach in measuring the effectiveness of organization is the functional model, which determines the effectiveness by assessing its impacts and consequences towards the organization's beneficiaries.

In this study, goal approach is the method which is adopted to assess the effectiveness of the scheme offered by CGC, and how the clients benefited from the services engaged by them. One of the business' objectives of CGC is to help the SMEs' growth, thus, measuring the effectiveness of the schemes on its clients will help one to understand whether the Corporation has met its objectives, or vice versa. In a study conducted by Boocock and Md Nor (2005: 428) they have proposed additionality as the acid test of a guarantee scheme's effectiveness (based on the approaches adopted by Bannock and Partners, 1997, KPMG; 1999, National Economic Research Associates NERA; 1990; Pineda; 1992). Additionality (Ibid) refers to the situation whether the SMEs will be able to have the financing that they require without the availability of the scheme offered by the institution. Moreover, the additionality concept is also related to the benefits or positive outcomes that can be generated by the SMEs from exercising the loans given to them, and finally is the economic additionality which covers the effect of social benefits as a result from the financing received from the Corporation.

However, the additionality concept as suggested by Boocock and Md Nor (2005) is not used in this study due to nature of the research. In this study, the researcher is focused on the respondents' perceptions, attitudes, experiences and knowledge of the CGC's Islamic guarantee scheme. Meanwhile, Boocock and Md Nor's (2005) research explored the financial side of the CGC's conventional guarantee scheme.

2.3.2 Awareness

Awareness has been mentioned many times in various marketing journals and books is related to marketing activities. Lavidge and Steiner (1961: 60) stated that there are "six steps beginning with 'aware', indicate three major functions of advertising as shown in Diagram 2.1. (1)The first two, awareness and knowledge relate to information and ideas. (2) The second two steps, liking and preference, have to do with favorable attitudes or feelings toward a product. (3) The final two steps, conviction and purchase, are to produce action- the acquisition of the product." In this study, awareness is measured in order to gauge the level of familiarity and knowledge of the respondents on the CGC's

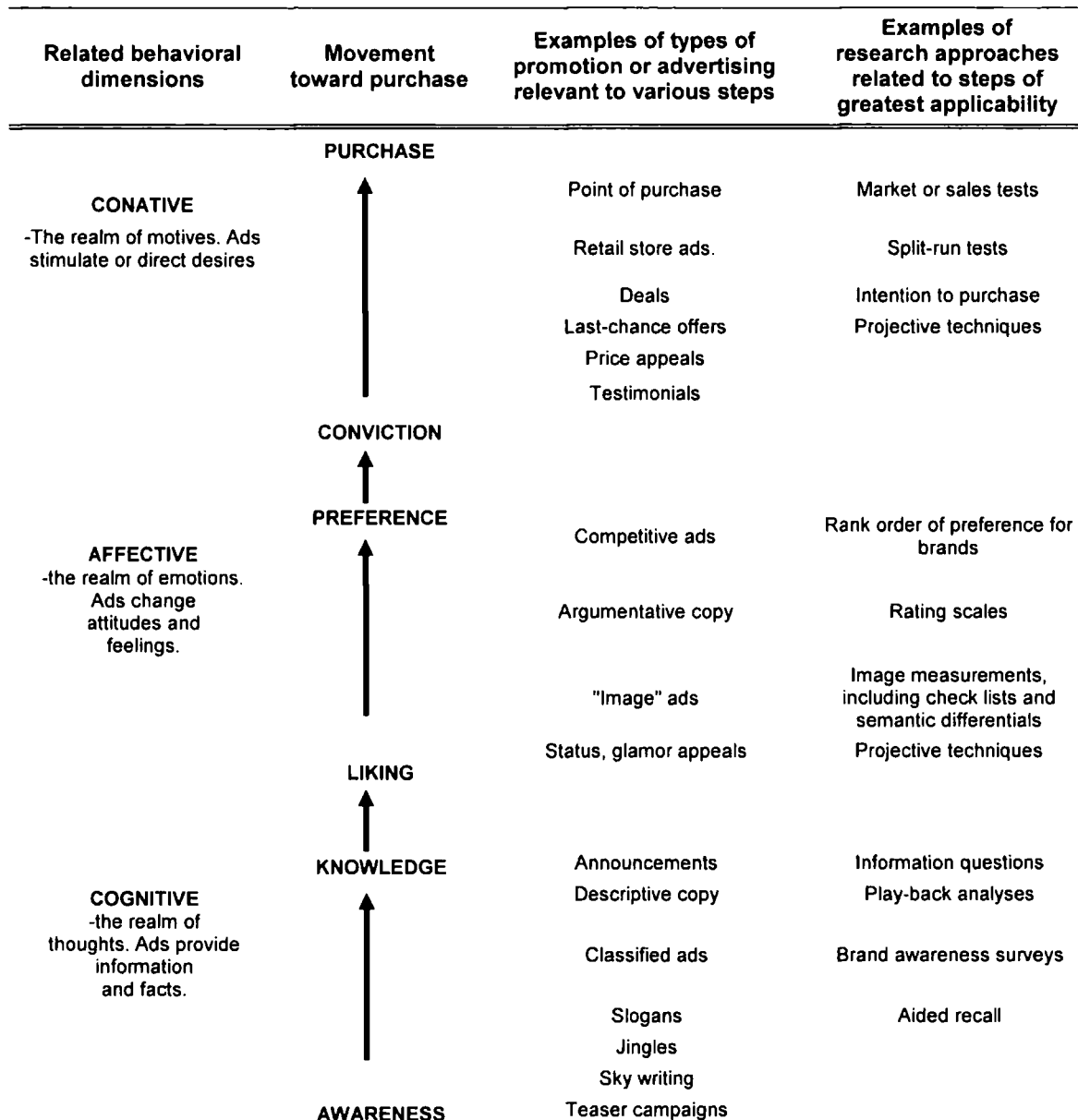
Islamic guarantee scheme. As clarified by Lavidge and Steiner (1961), it is clear that awareness is an important aspect in advertising, which is part and parcel of marketing activities. It seems that if one of the steps is omitted, the public may not have a proper image of the products, services or the organization itself. This is applicable with what is happening in CGC, that operates as a commercial entity. As a commercial entity, it depends on the performance of sales and services given to the clients, thus, having a credible image is very important in order to attract and promote its products and services.

Twedt (1967: 64) suggests that a good marketing strategy should first analyze the level of consumer awareness on its brand name and services, and how the consumer respond toward it, either favorable or unfavorable attitude. This is important as different level of awareness requires a different marketing strategy and second, such measurement is essential to subsequent determination of progress towards a specific marketing goal. This study may provide some insights on entrepreneurs' reactions of CGC, and its services through the results derived from the questionnaire. It is worth to note that "... awareness, knowledge, and development of favorable attitudes toward a specific product feature may be helpful in building a preference for the line of products" (Lavidge and Steiner, 1961:61). Therefore, Lavidge and Steiner suggest that if CGC can engage the entrepreneurs to use the service for the first time, it can function as a stepping stone for the Corporation to sell other products to a particular client, and tie it up with the Corporation.

Nevertheless, the impact of not having a proper awareness projection on the customers can have serious consequences for a particular business organization. The severe effect is not only on the profitability and the growth side of the organization, it will also affect the whole society if the organization has an important role to play towards them, such as CGC, which is entrusted by the government to assist the SMEs by guaranteeing them when obtaining financing from the financial institutions. If CGC fails to help the SMEs, it means that the government's aspirations to see the SMEs expansion and growth have been unsuccessful. Several important factors that influence the failure of certain products and services "he may not consider buying some brands because he has insufficient

information to evaluate them, he has tried and rejected them, he has no reason to try them as he is already satisfied with the brand he is currently using, or he has some negative feedback from advertising or word-of-mouth communication” (Narayana and Markin, 1975: 2).

Diagram 2.1: Advertising and Advertising Research Related to the Model



Source: Lavidge and Steiner (1961:61)

2.3.3 Government's Role

Watkins states that “the role of government is an important one, not simply for the development of small business, but for strengthening the impact that small business has on broad economic performance” (2007:133). Yeh and Vaughn Jr., on the other hand, claim that “most economists argue that malfunctioning government institution constitute a severe obstacle to investment, entrepreneurship, and innovation. Cumbersome and dishonest bureaucracies may delay the distribution of permits and licenses, thereby slowing down the process by which technological advances become embodied in new equipment or new productive process” (2007:199).

If the Malaysian government, therefore, introduces any incentive or package to CGC for offering the Islamic guarantee schemes, then one should be expecting a favorable result or overwhelmingly acceptance towards the schemes. There are various opinions whether the government intervention is necessary, or it is just making the situation worse. Green (2003: 13) argues that some quarters consider the government intervention necessary on the ground that the conditions imposed on the SMEs are not fair for them. In contrast, some people stress that the only reason for the government intervention can be justified is the market failures, and there is an unclear connotation whether the imperfection really exists in the market, or it is just merely the market forces. Therefore, Green clarifies that “the conditions justifying government intervention seem to be fulfilled, as asymmetric information, imperfect competition and externalities can be identified as factors affecting the credit market” (2003:13). Chee, therefore, states that that “the contribution of SMEs in Malaysia has been acknowledged since the early 1980s, and the government has introduced a variety of agencies and schemes to promote the development of this sector” (taken from Boocock and Md Nor, 2005:428).

Riding clarifies further that “the governments’ motive is simply to facilitate access to debt capital for small firms” (taken from Green, 2003:23). Green (2003:24) argues that the government intervention is not a mandatory in a country credit system. Country credit system is defined as a financial system, particularly related with borrowings. Government intervention to help the SMEs is often dubbed as a subsidy, which brings a bad

connotation rather than positive image. Apart from giving direct subsidies in the forms of loans or grants, educating employees who are involved in the small business lending activities is better, as it will help to eradicate the negative perceptions of the SMEs, reduce the administrative cost, and enhance the officers' understanding about the nature of SMEs business. For instance, Havers in his study (1996: 146) asked the 18 participants who were working in financial institutions to calculate the repayment rates from a single set of figures, and the result was that each one of them had their own solutions that implied there was no standardized system that could be used to measure the sustainability of credit programmes. Moreover, it seems common that people blame the imperfections in the market as the core reasons that impede the chances of SMEs in securing the financial assistance from the banks. This may be true to a certain extent, however, by gripping to this reason in order to allow government intervention is really a passive way, which only creates inefficiency amongst the SMEs. It can create a spoon feeding syndrome. Collateral difficulty is the most quoted reason amongst the SMEs to justify themselves when they are questioned why they are unable to secure a financing from the banks. Thus, it means that the reformation on the credit system is necessary, as a long term solution. Government intervention with loans and grants issued can be viewed as a temporary solution. However, it cannot prevent similar problem from occurring again in future. As a consequence, turning to government's help should be the last resort, after other alternatives have failed to realize the objectives planned. Even if the government intervention is allowed, the intervention should be able to create a sense of responsibility amongst the SMEs, so that they will feel experience the pushing factor that motivate them to achieve the best from the assistance given.

In this study, CGC can be viewed as a government intervention to help the SMEs to grow and expand in Malaysia. However, the assistance given by CGC is not similar to the subsidies given to the SMEs. It is important to note that CGC is a commercial entity with societal responsibilities embedded its objectives. Therefore, every transactions approved by the Corporation is only made after a thorough calculative risk process. There is no term such as a free lunch given by the CGC to the SMEs. As a result, the entrepreneurs

will be stimulated to work hard so that they can achieve a good business performance, not only for their business survival, but also for repaying the offered financial assistance.

In the Ninth Malaysia Plan, the government has acknowledged that they will be shifting from giving out financial assistance in form of subsidies to performance grants, so that it will stimulate competition amongst the SMEs. Moreover, the government stressed that priority will be given on companies that are innovative and competitive, especially in the strategic industries (Asokkumar, 2006:1). Thus, it can be summed up that the role of government in Malaysia for helping SMEs is based on merit or performance based rather than giving money (loan) or assistance 'blindly'.

2.3.4 Perceptions

Customers' perception is another important issue to be considered, which changes by time and, hence, it is dynamic (Recklies, 2006). The relationship build between the seller and the customers will shape its direction, either it becomes favorable or the bond ends sooner than expected. Furthermore, the experience gained by the customers over time, and the changes in the circumstances will influence their perceptions about the particular issue, product or service. The quality of a particular service is derived from what the customers want, which is through their perceptions (Kangis and Voukelatos, 1997:279). One of the important aspects of perception is that it can influence the customers' actions towards a particular brand name, which in turn will shape their post purchase behavior (Jackie, 2007:281). In the context of CGC, creating a positive perception amongst the public particularly towards the SMEs community is very critical, as they are the target market of the Corporation. Perception of CGC is not only about the products and services, but it encompasses everything about the organization, staff, management, its track record, and also the words of mouth about CGC. Wright and Lundstrom, therefore, states that there are "many factors that play a role in determining a brand /product perceived quality including price, store image, distribution intensity, advertising spending, and price deals" (2007:79).

Berry states that “the concept of brand meaning is relevant in services marketing as it refers to the customer’s dominant perceptions of the brand, such as the consumer’s impression of the brand and its associations. While service brand image and identity contribute to brand meaning, however, the primary influence for customers who have actually experienced the service is the experience itself” (taken from O’ Loughlin *et al.*, 2004: 218). Chatterjee (2007: 59) substantiates this by suggesting that “there is considerable research indicating that differences in framing and timing of price reductions can change consumers’ perception of the promotion offer, purchase decisions and purchase satisfaction.” We can relate this to CGC’s Islamic guarantee scheme: if the customers seeing or thinking that Islamic guarantee schemes possess unique characteristics compared to conventional guarantee schemes, this can allure them to utilize the Islamic guarantee schemes. The unique aspects can be in many forms such as government tax incentive, lower fees for Islamic guarantee schemes or higher loan amount. This is supported by Jackie by stating that “effective management of customer expectations not only can increase the likelihood of the purchase of a financial service, it can also influence customer satisfaction and a customer’s relationship with a financial provider” (2007: 282). Hence, higher utilization on Islamic guarantee schemes will increase their performance, which will be translated into the increased amount of the guarantee issued under the banner of Islamic guarantee scheme, or it may happen as a result from the higher value of guarantees given to the SMEs. As for now, the performance of the Islamic guarantee schemes is not at par with their conventional counterparts, mainly due to the lack of engagement by the entrepreneurs.

2.3.5 Employees Qualifications

The rapid development in Islamic banking industry has created a gap in the industry’s workforce, which is a part of the important components in the financial services industry. Therefore, in order to overcome the situation, as a temporary measure, the staff who work for the conventional banking sector, have been hired to fill up the vacancies in the Islamic financial institutions (Mansoor and Ishaq, 2008:48). This may work temporarily, however, in the long term it is not the best solution, unless the employees are given sufficient training on the Islamic banking, so that they can comprehend and embrace the

objectives and values related to Islamic banks. Even though there are several reputable Malaysian institutions offering Islamic banking and finance courses, such as Institute of Islamic Banking and Insurance (IIBI), International Centre for Education in Islamic Finance (INCEIF), and International Islamic University, Malaysia (IIUM). However, such attempts will not give the holistic impact as expected to happen in the industry if the Islamic banks do not put some investments for the development of their internal human capital, who will be dealing with the daily challenges of the industry.

The explanation is relevant in the sense that some staff working for Islamic windows when asked about particular Islamic banking products, and the difference with the conventional products, their answers were normally very skeptical by saying that both products were similar. This attitude will eliminate the interest of potential customers who may want to utilize the Islamic banking products due to inaccurate and misleading advice. However, the steps taken by the Central Bank to transform Islamic windows to Islamic subsidiary may eliminate the problem (Rosly, 2005). However, this is not the case with CGC as the products offered by the Corporation are side by side and handled by the same officers, whether they are conventional or Islamic guarantee schemes. Thus, the question is how they promote the Islamic guarantee schemes vis-à-vis conventional guarantee schemes? This is one of the aims of the study.

2.4 Summary

In conclusion, the purpose of having a guarantee scheme is not a new idea especially in developed nations, however, in developing countries, the SMEs need persistent help and advice due to factors such as communication barrier, lack of education and modern technologies and traditional mindset on the business operations. The government of Malaysia has done a commendable job by establishing the CGC which operates on the commercial basis, without neglecting the sacred duty of the Corporation, which is to help the SMEs to grow and succeed in their businesses.

Chapter: 3

Credit Guarantee Schemes in Malaysia: The Mechanisms and Operations of Conventional and Islamic Guarantee Schemes

3.1 Introduction

This chapter discusses the credit guarantee schemes provided by Credit Guarantee Corporation (CGC), specifically on Islamic guarantee schemes. In addition, this chapter also evaluates the mechanism and operations of the schemes implemented by the Corporation.

3.2 Islamic Guarantee Schemes

There are three types of Islamic guarantee schemes offered by CGC, as stated in the Corporation's website (Jan 28, 2008): Islamic Banking Guarantee Scheme (IBGS), Direct Access Guarantee Scheme-Islamic (DAGS-i) and Credit Enhancer-Islamic Scheme (Enhancer-i). The details of the schemes features are below:

3.2.1 Islamic Banking Guarantee Scheme (IBGS):

The scheme offers credit guarantee financing that follows Islamic principles. All commercial banks and finance companies that offer financing under Islamic banking concept participate in this programme. Maximum guarantee coverage for unsecured portion is up to RM 2.5mil, meanwhile there is no guarantee coverage for secured portion. CGC guarantee coverage ranges from between 30% to 90% subject to the following:

- (a) without collateral – until 80% (maximum guarantee is up to RM 2.5mil)
- (b) with collateral – until 90% (There is no capping for secured portion)

Eligibility criteria:

- (a) Malaysian controlled or Malaysian owned business
- (b) Must fall within the definition of SMEs (as defined by the Central Bank)

- (c) Borrower must have good track record and is not listed under Information Cheque Bureau.

Amongst credit facilities offered under IBGS:

- (a) Term loans~i
- (b) Overdraft~i
- (c) Trust Receipt~i
- (d) Bankers Acceptance~i
- (e) Leasing~i
- (f) Any other credit facilities determined by CGC from time to time

Profit rate:

- (a) Will be determined by the financial institution

Guarantee fee:

- (a) unsecured portion – 1.25%
- (b) secured portion – 1.00%

3.2.2 Direct Access Guarantee Scheme-Islamic (DAGS~i):

DAGS~i is developed by CGC following the demand from SMEs who are interested to acquire CGC's Islamic Direct Access Guarantee Scheme that follows *Shariah* principle, and it is also in line with the government's objective to establish Malaysia as an International Islamic Capital Market centre. The scheme provides SMEs with Islamic financing, which requires the individual SME to approach CGC directly to obtain its guarantee and secure the required financing.

Eligibility criteria:

- (a) Must fall within the definition of SMEs (as been defined by the Central Bank)
- (b) The company should be Malaysian-owned and controlled private limited companies registered under the Companies Act 1965, sole proprietorship or partnership.
- (c) No adverse record with CGC or other financial institutions or listed under the

Central Bank's Cheque Information Bureau.

(d) All viable business activities (*halal*) are eligible.

Loan amount

Loan amount can range from RM50k to RM3mil (applications above RM2 million is only applicable to existing borrowers with at least 2 years good track record with CGC). The guarantee cover is up to 100% and shall be valid up to the maturity date of the financing with a maximum tenure of 5 years (8 years for asset acquisition).

Type of financing offered:

- (1) Term financing~i
- (2) Overdrafts~i
- (3) Tradelines~i
- (4) Any other credit facilities determined by CGC from time to time

Cost of borrowing:

- (a) The profit rate is benchmarked against financial institutions Base Lending Rate (BLR) 1.00% to 1.75%.
- (b) The guarantee fee is between 0.75% to 1.50% per annum based on the guarantee coverage to be charged on customer. The corporation will charge a processing fee of RM 300 on each successful application and annual renewal fee of RM 150 for DAGS~i account.

Participating institutions:

These are Maybank, AmBank Berhad, EON Bank Berhad, RHB Bank Berhad, CIMB Bank Berhad and Affin Bank Berhad.

3.2.3 Credit Enhancer Islamic Scheme (ENHANCER-i)

This is the latest scheme formulated by CGC, which has begun to be offered from January 1st, 2008. The scheme was introduced as an alternative to the conventional scheme that was introduced earlier, the Credit Enhancer Scheme.

Eligibility criteria:

- (a) Malaysian-controlled or Malaysian-owned businesses
- (b) Must fall within the definition of SMEs (as been defined by the Central Bank)
- (c) All viable businesses involved in *halal* activities

Type of financing facilities:

- (a) Term Financing-i
- (b) Cash Line Facility-i
- (c) Letter of Credit-i
- (d) Bills Purchased-i
- (e) Bank Guarantee-i and etc

Profit rate:

Profit rate is determined by the financial institutions that offer this scheme. Financing amount can be up to RM10mil (maximum) and RM50k (minimum).

Guarantee fee:

Guarantee fee rate structure will be 1% to 2.45% for secured portion, and from 1.50% to 3% for unsecured portion. Apart from this, there are others conditions that have been prescribed by the Corporation on this scheme.

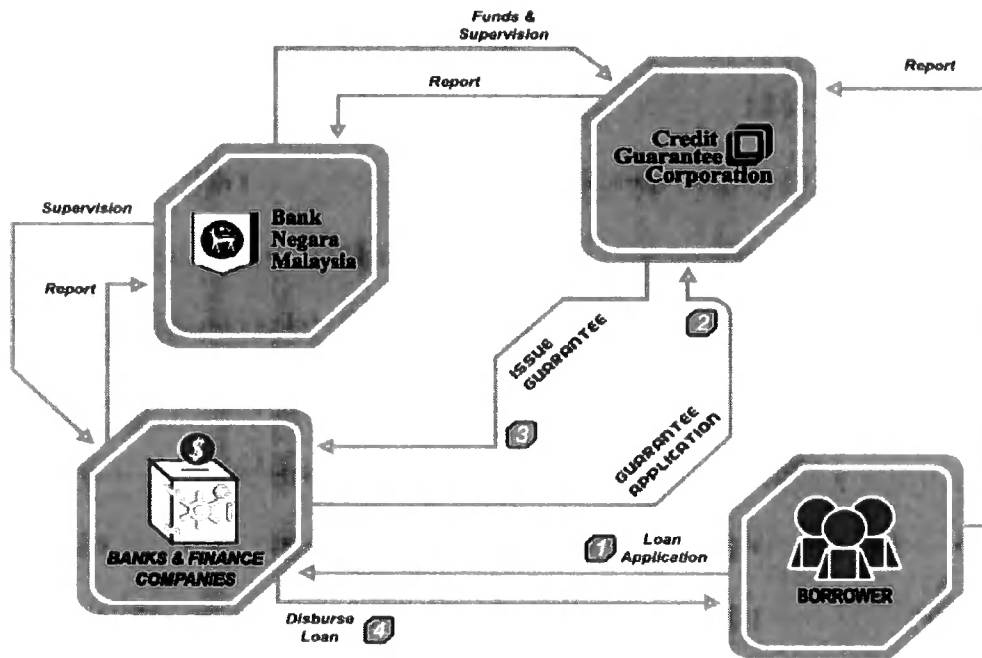
Participating institutions:

The scheme will be supported by all participating Islamic banks and participating development financial institutions.

3.3 Credit Guarantee Schemes in Malaysia: Mechanism and Regulation for Conventional and Islamic Guarantee Scheme

Diagram 3.1 depicts the mechanism that is practiced by CGC when implementing its guarantee programs (CGC's website, February 27, 2008).

Diagram 3.1: Mechanism of Guarantee Programme Implemented by CGC



Source: CGC's website <https://www.iguarantee.com.my/iguarantee/modus.htm>.

The application for the scheme can be made either by walking-in to the CGC's office, or through online application (via iGuarantee portal). The potential client is encouraged by CGC to apply for the loan or guarantee via online since it will minimize time and effort, plus the online database is secured and accessible for the financial institutions to evaluate and assess the application. During a phone interview¹, an officer at CGC has clarified that in general, there are two mechanisms for obtaining credit guarantee.

Firstly, the potential client can apply for the loan or schemes under Direct Access Guarantee Scheme concept, or DAGS (conventional or Islamic scheme only) directly to CGC. For both schemes under DAGS, CGC will assess and evaluate the loan application itself, before deciding whether the business is viable or not, for the guarantee to be issued, and after that the application will be forwarded to the bank with letter of

¹ Telephone interview was conducted with CGC's Public Relations officer, Mr. Zakee, with the objective of learning the details of the working mechanism of the system. Interview was considered to be useful as published material on the subject is not available.

recommendation stating that the business is worthwhile to be assisted, and if the bank agrees, then the loan will be granted.

The second approach begins when the potential client meets the financial institution directly and requests for a loan or credit facilities. The financial institution will assess and evaluate the business proposal to decide whether the business is viable or not, if the financial institution is interested to finance the business, then it will send the paper works to CGC to obtain credit guarantee. If the guarantee is approved by CGC, then the loan will be issued to the client.

Furthermore, as can be seen in Diagram 3.1 the process is monitored and supervised by Bank Negara Malaysia (BNM), which is the Central Bank. In the end, the reports must be submitted to Central Bank about the development and performance of SMEs that have been funded by Financial Institutions (FIs) and CGC. The main reason is that Central Bank is the major shareholder in CGC and there are several funds that are distributed by Central Bank to commercial banks and CGC for SMEs activities. Apart from that, CGC is also accountable to Ministry of Entrepreneur and Cooperative Development for submitting reports of the performance of SMEs that are funded by the Corporation. This is due to the fact that CGC is recognized as one of the development financial institutions that is expected to help the entrepreneurs in the country.

3.4 Operation of CGS in Malaysia

The Corporation has 16 branches nationwide which are ready to serve the customers from 9am to 6pm, 5 days a week. Generally, there are four types of products that are associated with CGC. Firstly, CGC's own products. Secondly is 'CGC cooperative products' with commercial or Islamic banks, followed by 'CGC specifically joint product' with certain banks or institutions, and the last one is a special programme, which is formulated due to the government's programme. Apart from these, commercial and Islamic banks, together with financial institutions also help CGC in marketing and processing parts of the application, except for CGC own products. Examples of CGC own products are: DAGS~i and DAGS, and joint products such as IBGS and NPGS. For instance of CGC's specifically joint product is the BCB Fast Track Pro Finance (CGC's 2004 annual report:

17). The programme was introduced in August 2003 with cooperation from BCB, a local bank. The objective of the program is to assist professional firms to get financing for their working capital or business expansion.

In addition, example of government's special programme is Youth Economic Development Program (YEDP) that has ceased operations in from January 2000. The purpose of the program was to encourage the youth to be involved in business activities and other productive economic activities (CGC's annual report 2005:46).

Furthermore, in October 2004, BASE (Business Advisory Services Entity) was launched, which, as the consultancy body and was appointed by CGC to help the SMEs entrepreneurs by giving advice, instructions, and other consultative services particularly in designing business proposals for loan applications (CGC's 2004 annual report:17). Since then, many SMEs have benefited from the introduction of BASE as it helps the SMEs to build good reputations and relationships with the banks and financial institutions.

As part of the economic development strategy, every entrepreneur will have equal chance to obtain credit guarantee from CGC subject to viability of the business and other financial related matters. However, to the Bumiputera (the indigenous Malaysians) the maximum guarantee can be up to 100%, as it is parallel to government's aspiration to encourage the Bumiputera to participate in entrepreneurship.

3.4.1 Islamic Guarantee Scheme in Malaysia: Regulation, Mechanism and Operation

The operational side of Islamic guarantee as practiced by CGC is not much different than the conventional scheme. It is interesting to note that when a client comes to the office either to get advice or applying for a guarantee, CGC's officers explain every scheme that is potentially suitable for client's nature of business without leading the client to choose the Islamic guarantee scheme. It is subject to the client's own needs to decide which scheme he would like to use. The performance of Islamic guarantee scheme for the past six years can be seen in Table 3.1. As depicted in the table, in 2001, there were only 68 successful applicants guaranteed under the Islamic guarantee scheme, with a slightly

increase in 2002 to 91 successful applicants. The following year, the number was dropped to 87. However, in 2004, there was a drastic increase to 105 applicants who were guaranteed under the Islamic guarantee scheme, and the number of applicants became modest again to 88 in 2005, and 91 in 2006. In term of percentage per the total guarantees issued (inclusive of conventional and Islamic guarantee scheme); the percentages were not more than 3% for the whole six years recorded period, that demonstrates the gap between the Islamic and conventional guarantee schemes.

Furthermore, as clarified by CGC's Public Relations officer, Mr. Zakee, amongst the reasons why Islamic guarantee scheme does not match or surpass the performance of conventional scheme is due to the weakness in promotional aspect (see Table 3.1). For instance, for the Islamic Banking Guarantee Scheme or IBGS, the application will be made through the commercial banks that have Islamic windows. There is a claim that the features which characterized the scheme do not appeal to the banks as they perceive that the returns they can derive from the scheme is very minimal. Thus, they prefer to promote, and sell their own products first, and the IBGS will only become the last option when the loan application does not possess enough criteria to be a solid application, such as lack the of collateral, low creditworthiness, and bad company's management accounting. Therefore, the ENHANCER~I has been introduced by CGC with some feature modifications that allow greater flexibility for the banks to obtain better returns from the scheme.

Furthermore, the low performance of Islamic guarantee scheme is attributed to the fact that Islamic banks do not become shareholders in CGC until 2005, when the policy changed. It is important to note that the money will be issued by bank as a lender, meanwhile CGC will only issue guarantee. Thus, even though CGC has Islamic guarantee scheme, the way the product is managed either it is based on *musharakah*, *murabahah*, *ijarah*, and other Islamic financing concepts, are subject to the availability of the products in the bank itself.

As a consequence, each type of Islamic product under Islamic guarantee scheme may be different from one another. For instance; if one customer wants to obtain financing under

Letter of Credit~Islamic, the features may be different between bank A to bank B. Bank A may use *murabahah* concept, while bank B probably use *ijarah* concept. The concepts may be different from one bank to another, but they are patronised by CGC Islamic Guarantee Scheme, and there is a guideline issued to facilitate the financing under Islamic guarantee concept. The initial credit screening is conducted by the bank, and the paper work is submitted to CGC whether the application will be granted guarantee or not. CGC will only involve in 100% credit screening for its own products only; DAGS~Islamic and DAGS conventional.

Moreover, when financing is issued, the title of ownership will remain under the bank's guardian, until the ownership is transferred formally to the client, while CGC does not have any interest in the ownership matters. Up to now, according to Mr Zakee, CGC is the only guarantor for SMEs in Malaysia, and CGC will absorb the risks itself without re-insurance the risks derived from the guaranteeing actions.

3.5 Policies for Disseminating Information about CGS in Malaysia

Generally, information about credit guarantee scheme can be divided into two categories: individual's own initiatives to gather information and help and information from other individuals.

CGC is one entity that has a complete management structure, including a department for 'public relations and special program' that focuses more on the steps planned and implemented, in order to ensure the information on credit guarantee scheme is well-known to the public, especially the SMEs community (CGC's Annual Report 2006:9).

Among activities taken by CGC to disseminate information about the Corporation, are organizing Entrepreneur Dialogue since 2001, conducting joint briefings and seminars with other trade associations, chambers, institutions and advertising about CGC products in printed materials and media (CGC's Annual Report 2006:29). CGC also engages with community services such as "presenting Syringe Pump to the Paediatrics Ward of Hospital Kuala Lumpur" that is parallel with government's encouragement to establish a caring society and it can boost the CGC's image (CGC's 2004 Annual Report:20).

Table 3.1: The Performance of Islamic Guarantee Schemes vis-à-vis Conventional Scheme from 2001 until 2006

Schemes	Year 2001		Year 2002		Year 2003	
	No of Application	Value (RM million)	No of Application	Value (RM million)	No of Application	Value (RM million)
Islamic Banking Guarantee Scheme (IBGS)	68	38.2	91	62.5	87	46.48
Direct Access Guarantee Scheme-Islamic (DAGS~i)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Enhancer Islamic Scheme (ENHANCER~I)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Total of Guarantees Issued (Islamic and conventional schemes)	7486.00	1939.90	8215.00	2707.80	8090.00	2683.58
Percentage of Islamic Schemes from Total Guarantee	0.9%	2.0%	1.1%	2.3%	1.1%	1.7%

Notes:

* The information is taken from CGC's annual report 2002-2003

* DAGS~i is starting only end of December'05

* ENHANCER~i is starting only in January'08

Schemes	Year 2004		Year 2005		Year 2006	
	No of Application	Value (RM million)	No of Application	Value (RM million)	No of Application	Value (RM million)
Islamic Banking Guarantee Scheme (IBGS)	105	104.5	88	51.99	91	63.28
Direct Access Guarantee Scheme-Islamic (DAGS~i)	Not Available	Not Available	Not Available	Not Available	24	10
Enhancer Islamic Scheme (ENHANCER~I)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Total of Guarantees Issued (Islamic and conventional schemes)	8452.00	3007.60	8567.00	3309.64	7523.00	3019.46
Percentage of Islamic Schemes from Total Guarantee	1.2%	3.5%	1.0%	1.6%	1.5%	2.4%

Notes:

*The information is taken from CGC's annual report 2004-2006

*DAGS~i is starting only end of December'05

*ENHANCER~i is starting only in January'08

Furthermore, there are various parties that help CGC to promote the products and services. The agencies are the banks that are involved in CGC's programmes and the government institutions that function to help SMEs in Malaysia. Most of the government agencies are listed in a portal known as SMEinfo, a one-stop centre for SMEs. Thus, the introduction of the one-stop centre has integrated all the relevant institutions into one roof that will ease entrepreneurs who are searching for information and advice about the products, assistance and facilities offered by government agencies.

3.6 Conclusion

To sum up, the operational side of CGC on the Islamic and conventional schemes is mirror to one another. The characteristics of the Islamic guarantee schemes are dependent on the participating banks that offer the products. These products varies and they are registered under particular Islamic guarantee schemes, such as ENHANCER~I, DAGS~I and IBGS. As shown above, the past 6-years performance as depicted in Table 3.1, illustrates that the Islamic guarantee scheme fail to match or surpass the performance of conventional guarantee scheme due to the unappealing characteristics of Islamic guarantee to the participating banks, the way the scheme is run, and the "involvement of Islamic banks to participate in Islamic guarantee scheme starting 2005" (CGC's Annual Report 2005: 14).

Chapter 4:

SMEs in Malaysia: An Overview

4.1 Introduction

This chapter discusses the SMEs related issues in Malaysia encompassing of the trends, scope, and activities that are participated by the enterprises. Furthermore, this chapter elaborates on the financing aspect of the SMEs in the context of Malaysia.

4.2 SMEs in Malaysia: Trends and Scope

The definition of SMEs in Malaysia is based on the definition of National SME Development Council (NSDC), according to which SMEs can be grouped into three categories: micro, small or medium enterprises (SME info website, January 27, 2008). This classification is based on the either:

- (a) the number of people a business employs (see table 4.1), or
- (b) the total sales or revenue generated by a business in a year (see table 4.2).

(a) Number of Employees

Table 4.1: Using Number of Employees to Classify SMEs

Type of Business	Primary Agriculture	Manufacturing (including agro-based) & MRS*	Services Sector (including ICT**)
Micro	Less than 5 employees	Less than 5 employees	Less than 5 employees
Small	Between 5 to 19 employees	Between 5 and 50 employees	Between 5 to 19 employees
Medium	Between 20 and 50 employees	Between 51 and 150 employees	Between 20 and 50 employees

Source: Taken from SME info website <http://www.smeinfo.com.my/index.php?ch=2&pg=1&lang>

Notes: *MRS: Manufacturing-Related Services; **ICT: Information and Communication Technology

(b) Annual Sales Turnover

Table 4.2: Using Annual Sales Turnover to Classify SMEs

Type of Business	Primary Agriculture	Manufacturing (including agro-based) & MRS*	Services Sector (including ICT**)
Micro	Less than RM200,000	Less than RM250,000	Less than RM200,000
Small	Between RM200,000 & less than RM1 mil.	Between RM250,000 & less than RM10 mil.	Between RM200,000 & less than RM1 mil.
Medium	Between RM1 mil & RM5 mil.	Between RM10 mil & RM25 mil.	Between RM1 mil & RM5 mil.

Source: Taken from SME info website: <http://www.smeinfo.com.my/index.php?ch=2&pg=1&lang=>

Notes: *MRS: Manufacturing-Related Services; **ICT: Information and Communication Technology

4.2.1 Economics and Sectoral Roles of SMEs in Malaysia

SMEs participated in various activities, which can be categorized into six sectors: primary agriculture, manufacturing (including agro-based), manufacturing related services, services, construction, mining and quarrying (National SME Development Council Report 2005: Appendix 2).

It should be mentioned that the National Development Council which was established on June 2004 is the highest policy-making body to chart the direction and strategies for comprehensive and coordinated development of SMEs across all sectors in the economy. Two broad objectives are mentioned below (National SME Development Council Report 2005: Appendix 1):

- (i) Formulate broad policies and strategies, as well as provide direction for comprehensive and coordinated development of SMEs across all sectors;
- (ii) Oversee and guide overall SME development initiatives to ensure effectiveness in policy implementation and outreach.

Normah (2006:1) clarified that the positive aspect of SMEs is inarguable, while citing that in developed countries, the SMEs were significantly contributed towards the nations' economies by at least more than 50%, meanwhile SMEs' GDP/total production contribution in Malaysia was only 47%. She then suggested that in order to determine the role of SMEs in the economic growth of Malaysia, it would be meaningful to assess their contribution in the three main sectors of the economy: manufacturing, services and agriculture.

Malaysia's performance in building up the SMEs does not parallel to the government's aspiration to make SMEs an important component in the economy. The strategies laid out in the First and Second Industrial Master Plan were to facilitate and promote the expansion of SMEs by giving out incentives and policy instruments, meanwhile, in the Third Industrial Master Plan the government has set the goal to for the SMEs to achieve business and industrial competitiveness in an increasingly globalised economic environment (Asokkumar: 2006).

DoS (Department of Statistics), in its 2003 statistics had produced a report on SMEs for three main sectors: manufacturing, services and agriculture. The report states that SMEs in Malaysia account for 99.2% or 518, 996 of total establishments in the three main economics sectors of manufacturing, services and agriculture. Moreover, they create jobs for approximately 3 million workers, and contribute to the output and value added elements, which are about RM 405 million and RM 154 million respectively in 2003, details of which are depicted in Table 4.3.

Table 4.3: Sectoral Contribution of SMEs in Malaysia

Output (RM Billion)				Value Added (RM Billion)		
Sector	Total	SMEs	%	Total	SMEs	%
Total	931.4	405.2	43.5	324.7	153.7	47.3
Manufacturing	549.1	191.6	34.9	128.1	47.5	37.1
Services	361.7	204.9	56.7	187.6	102.7	54.7
Agriculture	20.6	8.7	42.1	9.1	3.6	39.7

Source: Normah (2006:5)

The trends for SMEs in Malaysia are influenced by several factors, such as trade liberalization, technology, productivity, R&D, and export orientation (Asokkumar: 2006). In terms of technology, the modernization is important in the sense that technology will bring positive impact to every facet in SMEs activities, such as streamlining the process of administration and production, saving time, reducing labor costs that will enable a better quality control, hence complied with the guidelines outlined by national and international standard. Asokkumar (2006: 28) states that “technology upgrading in Malaysia has mainly achieved through technology transfer that comes with inflow of FDI, and minimally by the development of centers in innovation. SMEs growth in term of innovation can only be achieved with more cohesive R&D collaboration between the public and private institution. Universities must play a leading role in paving the direction for innovation.”

Asokkumar further argues that “quality of Human Resources has to be improved to meet the need of a competitive economy. Labor cost increased by 8 percent per annum during the first half of 1990s but productivity grew only 4 percent. Growth is still largely driven by factor inputs rather than productivity” (2006:28). Thus, if the rise of labor cost cannot be offsetted with the productivity, then Malaysia may loss its competitive edge, particularly the SMEs are characterized by heavy usage of labor, due to the fact that new technologies require huge sum of capital and consume a long period of time before they can be employed.

The former Prime Minister, Mahathir once aired his views on globalization by mentioning that “globalization is a concept invented by man and as such it is not perfect. It can bring about a lot of good but it can also lend itself to abuse and give forth some of the most tragic results” (taken from CGC’s website, February 27, 2008). The same sentiment is shared by Asokkumar (2006) when he states that trade liberalization will bring both impacts: positive and negative. Therefore, trade liberalization impact will hamper the development of SMEs if precautionary actions are not taken. Thus, “to compete in the world market, local SMEs must ensure they have highly skilled workforce

that is competent and has the ability and know-how on all aspects pertaining to the particular industry” (CGC’s website, February 27, 2008).

One interesting aspect to note is that franchising is becoming a new avenue for SMEs in Malaysia. Dato’ Seri Abdullah Ahmad Badawi (Malaysia’s Prime Minister) in his launching speech for the Franchise International Malaysia 2003 (FIM2003) has recognized that the franchise industry hold an immense potential and can emerge as a major contributor to the economy. He also points out that Malaysia can be positioned as the regional hub for global franchises in Southeast Asia (CGC’s website, February 27, 2008).

4.3 Financing SMEs in Malaysia

In general, SMEs can get financing for their businesses either through government’s financial assistance or via private institutions such as commercial or Islamic banks, and finance companies. Government financial assistance is in the form of soft loans, grants, equity financing, venture capital, guarantee scheme, and tax incentives. The most widely used are soft loans and grants.

Government through its agencies offers various grants and incentives to the SMEs. Partial grants are provided to finance product, process and quality improvements, market development, skills upgrading, factory audit and acquisition of strategic technology (SMIDEC’s website, March 1, 2008).

Amongst the agencies listed as provider for grants and soft loans are:

- (i) SMIDEC: Small and Medium Industries Development Corporation
- (ii) MATRADE: Malaysia External Trade Development Corporation
- (iii) MIDA: Malaysia Industrial Development Authority
- (iv) NPC: National Productivity Corporation
- (v) MECD (Ministry of Entrepreneur and Co-operative Development) and others

Government grant mainly comes in the form of incentives given with the purpose to aid the SMEs in starting and developing their businesses. In normal practice, grants are given to fund a specific project and require some level of reporting. PricewaterhouseCoopers in one of its publications on Malaysia stated that in 2003, the Malaysian government has granted RM 8.1 billion as Economic Stimulus Package, main target of which is to help the SMEs in selected sectors to use the grants for projects' training costs either domestic or overseas, for R&D activities within the country, grants for commercialization of research findings and innovations, and grants from the proposed Fund for Development and Promotion of Malaysian Brand Names for Malaysian Companies (PwC's website, March 2, 2008).

Soft loan is a package whereby the financing or loan given below the market price or with flexibility in repayment period. "The Malaysian government has converted many of its grant schemes into soft loans, which the intention is to inject greater responsibility among small and medium sized enterprises (SMEs) in managing their sources of funds. Furthermore, with the conversion of grants into soft loans, more companies can benefit from the allocations provided by the government" (MIDA's website, March 2, 2008).

Apart from government financial assistance, the SMEs entrepreneurs can turn to private institutions for financing such as commercial and Islamic banks, development finance institutions, leasing and factoring companies, and venture capital companies. CGC's website illustrates briefly the types of credit that are normally needed by the SMEs. "Business loans fall broadly into two categories: asset acquisition and working capital. Credit for asset acquisition is used to purchase equipment and other physical assets such as vehicles and buildings. Loans for working capital can comprise several different facilities, depending on your line of business and credit needs" (CGC's website, March 2, 2008). Amongst credit facilities offered are term loan, letter of credit, banker's acceptance, trust receipt, factoring and bank guarantee.

4.4. Conclusion

The SMEs in Malaysia receive full support from the government in order to make them competitive and possess the ability to be resilient in the challenging business climate. Despite various policies formulated, campaigns and assistances given, the SMEs are still far from reaching the intended goal set by the government. Having said that, there is positive sign for the sector, due to the continuous support from the government. The availability of Islamic financial products, especially Islamic guarantee scheme can be one of the alternatives for the SMEs to consider when they are looking for financing.

Chapter 5:

Research Methodology

5.1 Introduction

This chapter will elaborate on the research methodology and the methods that are used in collecting primary and secondary data and analysing the assembled data.

5.2 Research Methodology

Asutay defines research methodology as “the study of methods and principles and of their application in a given field of academic inquiry” (2008: 1). McNeill (1990) suggests that choices of research methodology and particular methods are influenced by the nature, context, objectives, number and kind of people who carry out the study, and the amount of time and money available to the research (taken from Asutay, 2008: 2). Generally, there are two approaches on how the methodology can be adopted, either quantitative or qualitative. However, David and Sutton (2004) argue that to some extent, the terms quality and quantity are hardly distinguished.

Bryman suggests that “qualitative research usually emphasizes words rather than quantification in the collection and analysis of data. As a research strategy it is inductivist, constructivist, and interpretivist, but qualitative researchers do not always subscribe to all three of these features” (2001: 506). Bryman then describes that quantitative methodology as “...a genre which uses a special language...[similar] to the ways in which scientist talk about how they investigate the natural order- variables, control and measurement” (taken from Asutay, 2008: 7).

David and Sutton (2004: 44) argue that “all research is both qualitative and quantitative. There are advantages to be had in both the inductive and the deductive approaches. Induction allows for exploration and a greater insight into the lives of those studied, while deduction, due to a tighter focus, allows for greater reliability and generalizability.”

This study, thus, intends to measure the perceptions, attitudes and opinions of the participants, and therefore, it can be categorized as a qualitative type of research. As a result, inductive strategy is incorporated in this research, and questionnaires are used as the main research tool to assess the general patterns amongst the respondents based on their response. Creswell (1994) suggests that “in inductive model, a theory may emerge during the data collection and analysis phase of the research, or be used relatively late in the research process as a basis for comparison with other theories” (1994:94). He then argues that if the theory is formulated in the beginning of the study, the qualitative researcher will need to adjust or modify the theory to synchronise with the information gathered from the informant.

However, it should also be noted that, this study also aims to explore the implementation and the performance of Islamic guarantee schemes that are provided by CGC, by measuring the perceptions, experiences, attitudes and opinions of the selected respondents. The respondents are selected from the SMEs entrepreneurs, thus, they are deemed to be having sufficient knowledge, and familiar about the financing facilities offered to them, including CGC’s. After analyzing the questionnaire results, the data then discussed and interpreted based on the previous research and the result derived from the survey.

5.3 Research Design

David and Sutton describe research design as “logical framework upon which the research project is conducted and enables the researcher to gather evidence that will enable the research question to be addressed” (2004: 134).

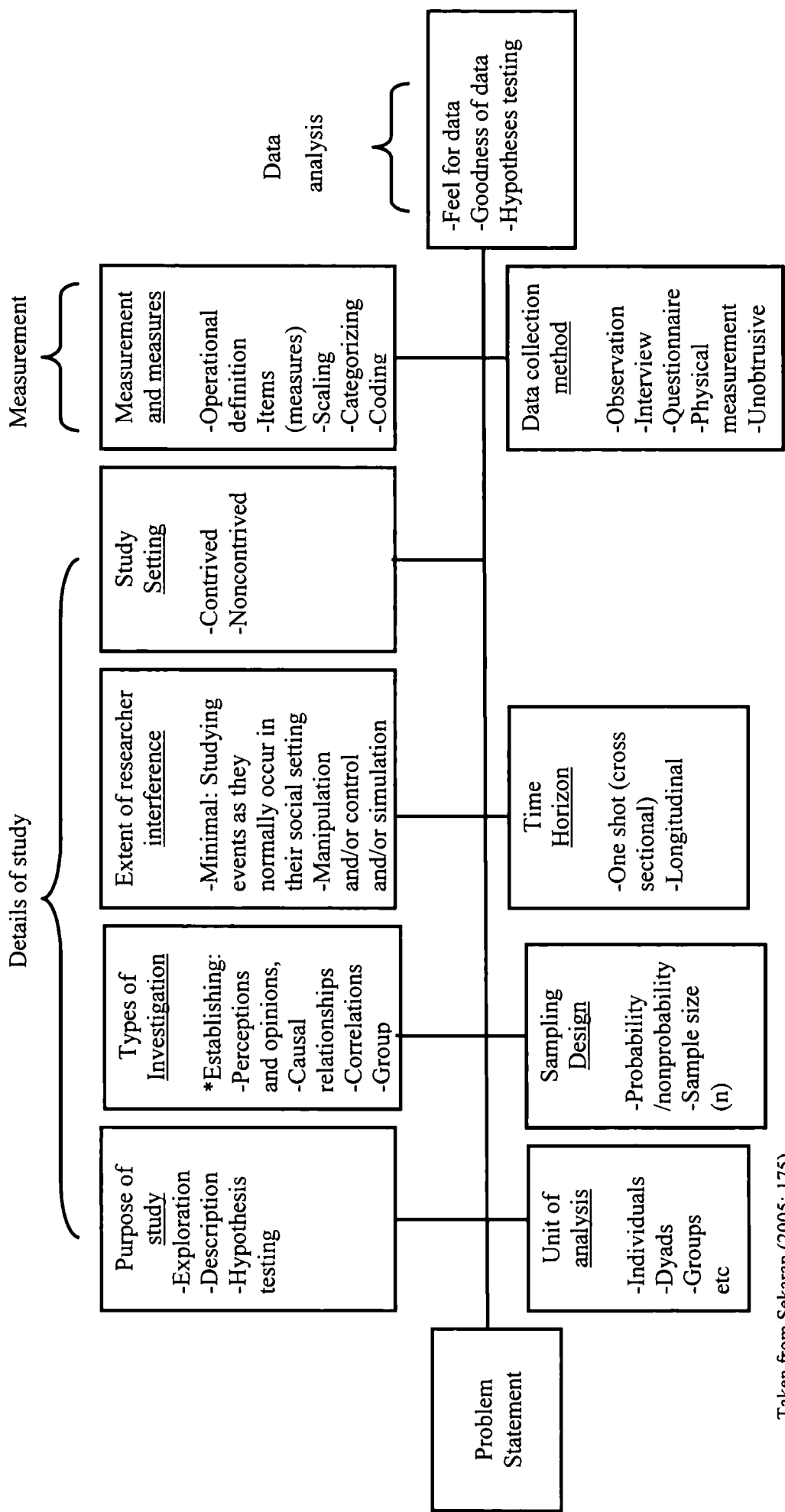
Sekaran (2005) comes up with a framework to identify the essential steps in research design, as shown in Diagram 5.1. Thus, this study is considered exploratory in nature, in the sense that not much is known about the Islamic guarantee scheme, and the study aims to explore more about the scheme through the experience of Credit Guarantee Corporation Malaysia Berhad to response to the raised issues.

Causal study is the type of investigation that is also adopted in order to assess the cause-and-effect relationships of each variable in this study, which contributes to the effectiveness of Islamic guarantee schemes provided by CGC.

Minimal interference is expected as the data gathering will be held in a non-contrived environment, since the field experiment will be using questionnaire that will be distributed to the 150 identified respondents, which are the SMEs (the unit of analysis for this study). Apart from that, communication through e-mail between the researcher and CGC's officer will be conducted as and when the need for it arose.

Furthermore, this study is regarded as a case study, as described by Moore (2006) that "case studies are used to provide detailed understanding of what is happening in complex circumstances" (2006:15). Bouma and Ling (2004) suggest that "the aim of the case study is to find out if there is a relationship between variables X and Y within the entity" (2004: 89). Moreover, a case study will give an opportunity to narrow down the research into a specific scope, which enables the researcher to comprehend the interactions of each variable in the study better, instead of going into a large-scale survey which is may not give an in-depth understanding necessary for this study. Apart from that, it gives the researcher the flexibility and efficiency that he requires in terms of time and cost, considering the limitations that he is facing while conducting this study. Hence, this is a case study based on CGC experience of Malaysia.

Diagram 5.1: The Research Design Framework.



Taken from Sekaran (2005: 175).

5.4 Research Method

David and Sutton suggest that “research method refers to the actual techniques of data collection, for example, the self-completion survey, interviews, focus groups and participation observation” (2004: 134). Triangulation is adopted in this study as it gives the researcher a chance to use more than one technique (survey method and telephone interview) when conducting his research, and this will help to gauge the information and understanding the circumstances better.

David and Sutton (2004: 70) clarify that: “The value of mixed methods may be allowing the best of both worlds... [Taken into account that] In some ways all good research employs mixed methods. The review of existing research prior to an empirical study is archival research (which may be qualitative discourse analysis or the secondary analysis of existing quantitative data, or both).”

Thus, in this study, as part of quantitative research method, mail questionnaires and e-mail questionnaires are utilized in order to respond to the aim and objectives of the study. Survey questionnaire is used as a research method due to the several key reasons:

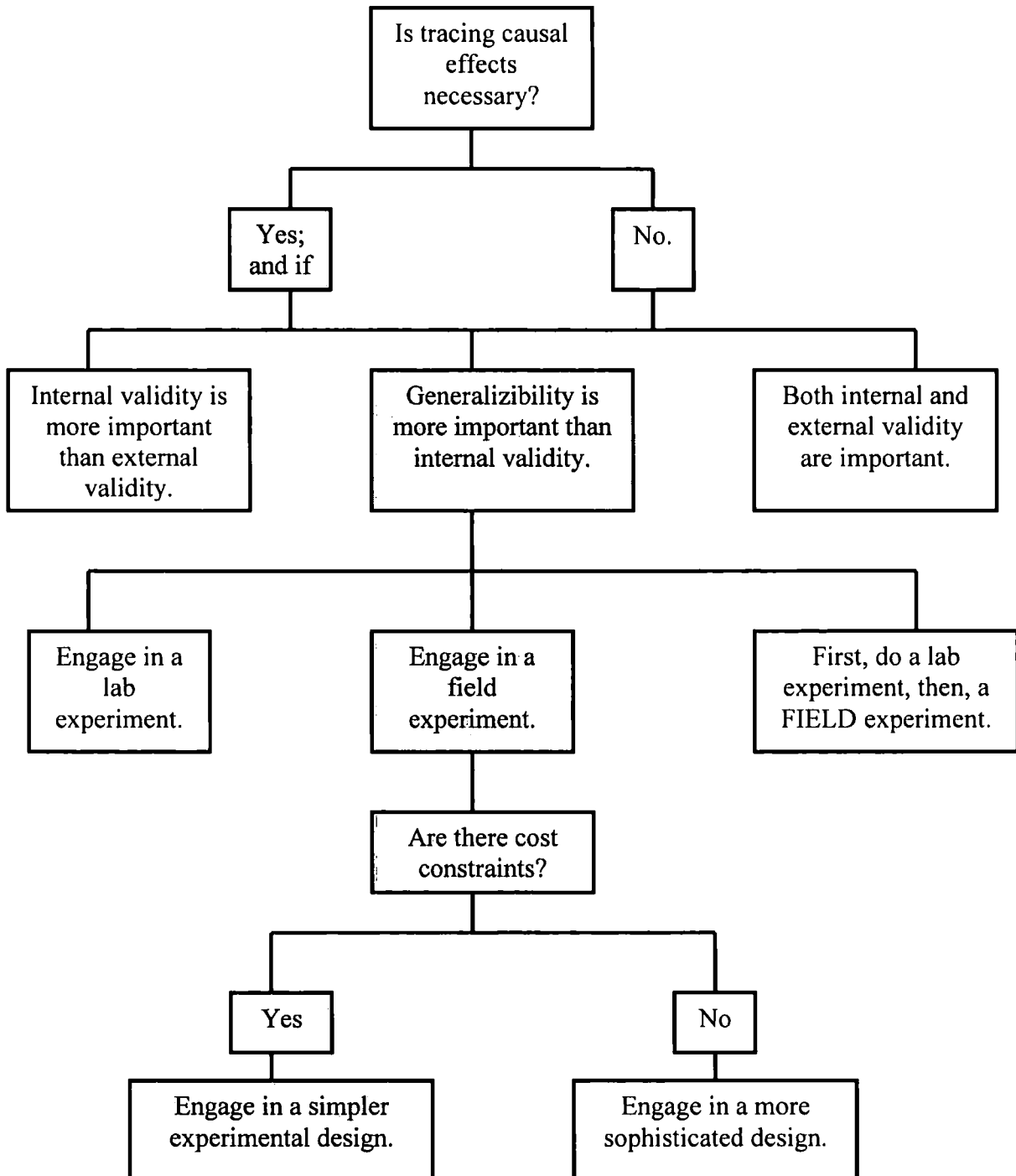
(1) Time constraint: mail questionnaire is the best method which is suitable in this study, as the questionnaires can be delivered to every state in Malaysia (there are 14 states in Malaysia comprising the federal territories). Moreover, the time proposed for the data collection is about 3 months inclusive of the 12 months of the research period, thus, the time restriction is the main factor which cause the method to be applied in this study.

(2) Reliable postal services in Malaysia: POS Malaysia Berhad is the body that manage postal services in Malaysia. The company is trusted and have a very good reputation in the industry. Generally, for normal mail or ‘snail mail’, the time taken to deliver the letter is about three days in Peninsular Malaysia.

(3) Low administrating cost: Questionnaire survey method is cheaper than personally administered questionnaire, and it is also helps to reduce the hassle that one has to prepare if the personally administered questionnaire is chosen in this study. E-mail questionnaire cannot be implemented in this study as the IT penetration is still low

amongst the Malaysian SMEs. Diagram 5.2 illustrates the decision points to be considered before embarking on an experimental design. The highlighted boxes are the factors that have been chosen for this study.

Diagram 5.2: The Decision Points for Embarking on an Experimental Design.



Source: Sekaran (2005: 167)

5.4.1 Sampling Design

The unit of analysis for the study is from the SMEs in Malaysia, which are from various industries. The respondents were selected from a pool of SMEs and the contact details are acquired from the database 'SME info portal'. The portal is run by Bank Negara Malaysia and the database acts as one-stop centre for the SMEs community.

At first, the study intended to get the list of CGC's Islamic guarantee schemes clients to be selected as respondents, since it would have directly fulfilled the objectives of the study, and would have provide a clear picture of the situation, and the opinions of the clients on the schemes. However, there was an institutional barrier that impeded the implementation of such a strategy.

Nevertheless, a second strategy was employed, which was still suitable to derive sufficient and relevant data for this study because it could offer insights into two different perspectives: conventional and Islamic guarantee schemes. Therefore, any reason as to why one scheme is favourable than the other would shed information about the other scheme. In other words, individual effort was spent to locate the SMEs who are using Islamic guarantee schemes.

The main weakness of the study is it will take a longer process to identify the SMEs that are using the Islamic guarantee schemes. Hence, there is probability that the sample for the Islamic guarantee schemes users will become smaller, due to the use of a general sample of SMEs population that is not necessarily focusing on Islamic guarantee clients. Thus, simple random sampling was chosen after taking into consideration the abovementioned situation, and the fact that random sampling gives "high generalizability of findings and least bias" as explained by Sekaran (2005:270).

It should be noted that 300 questionnaires were distributed to the identified respondents; the SMEs. A serial number was written on each questionnaire, so that the tracking of questionnaires could be done effectively, and also to avoid the same questionnaires from

being answered twice by the same respondent. David and Sutton (2004) state that a special consideration should be given to the tracking of the questionnaires, as it involves respondents' confidential information. Thus, they suggest that the information is to be kept separately and safely to avoid any leakage. Having said that, they also note the benefits of having a special code or number for identifying each questionnaire vis-à-vis the respondents, such as "to monitor response rates and to target those who have not responded with a follow-up letter reminding them to return the survey form" (2004: 181). Furthermore, only 87 questionnaires were received from the 300 questionnaires sent out. This implies that the response rate was 28%. The data collection process lasted for three months and it commenced from end of June'08 until September'08

5.4.2 Questionnaire Design

The questionnaire was constructed in two languages: Bahasa Melayu (the national language of Malaysia) and English (which is widely used in business sectors in Malaysia). Thus, these two types of questionnaires helped the respondents to understand better and this understanding is reflected in their appropriate responses towards the questions.

The questions were constructed based on four types of scales; nominal, ordinal, interval, and ratio. Sekaran mentions that "a scale is a tool or mechanism by which individuals are distinguished as to how they differ from one another on the variables of interest" (2005: 185).

Sekaran (2005) provides a brief explanation on each scale:

(i) Nominal scale: a scale that categorizes individuals or objects into mutually exclusive and collectively exhaustive groups, and offers basic, categorical information on the variable of interest.

(ii) Ordinal scale: a scale that not only categorizes the qualitative differences in the variable of interest, but also allows for the rank-ordering of these categories in a meaningful way.

(iii) Interval scale: a multipoint scale that taps the differences, the order, and the equality of the magnitude of the differences in the responses.

(iv) Ratio scale: a scale that has an absolute zero origin, and hence indicates not only the magnitude, but also the proportion of the differences.

Table 5.3 Properties of the Four Scales

Scale	Highlights				Measures of Central Tendency	Measures of Dispersion	Some Tests of Significance
	Difference	Order	Distance	Unique Origin			
Nominal	Yes	No	No	No	Mode	-	χ^2
Ordinal	Yes	Yes	No	No	Median	Semi-interquartile range	Rank-order correlations
Interval	Yes	Yes	Yes	No	Arithmetic median	Standard deviation, variance, coefficient of variation	t, F
Ratio	Yes	Yes	Yes	Yes	Arithmetic or geometric median	Standard deviation or variance or coefficient of variation	t, F

Source: Sekaran, (2005:189)

Note: The interval scale has 1 as an arbitrary starting point. The ratio scale has the natural origin 0, which is meaningful.

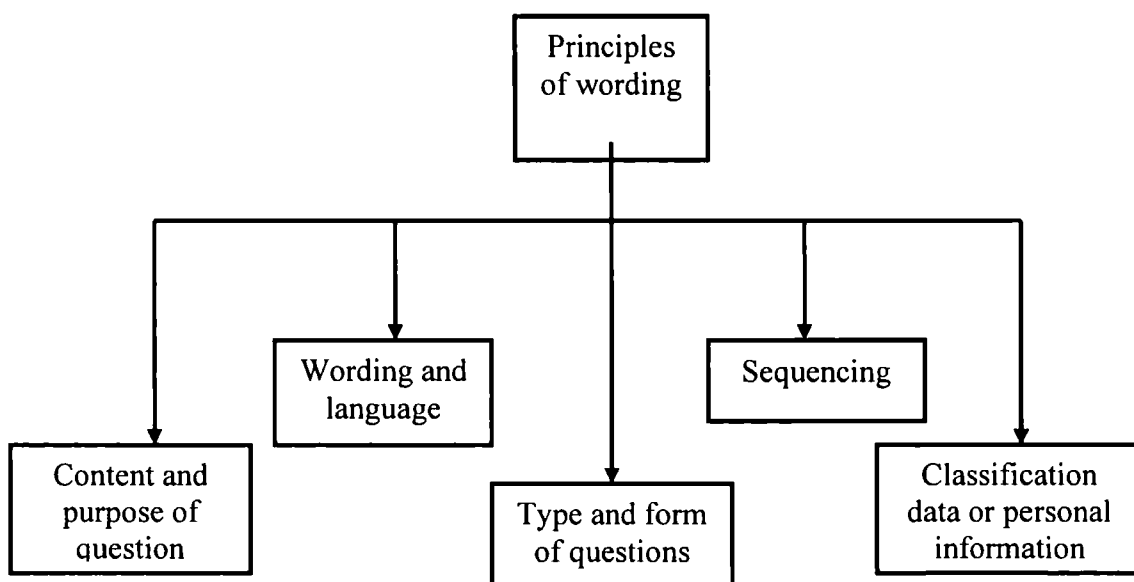
Sekaran (2005: 238) further recommends five steps as principles of wording for questionnaire design (see Table 5.4). She further explains that “the principles of wording refer to such factors as (1) the appropriateness of the content of the questions, (2) how questions are worded and the level of sophistication of the language used, (3) the type

and form of questions asked, (4) the sequencing of the questions, and (5) the personal data sought out from the respondents” (2005: 238). Sekaran clarifies each of the items as follows:

(i) Content and Purpose of the Questions: Variables can be subjective or objective in nature. Thus, the questions that been constructed need to consider this factor. For instance, “the subjective nature of variable like perceptions to be measured, the questions should tap the dimensions and elements of the concept. Where objective variables such as age and educational levels of respondents are tapped, a single direct question-preferably one that has an ordinal scaled set of categories-would be appropriate” (2005: 239).

(ii) Language and Wording of the Questionnaire: The language used in this study needs to be paralleled with the respondent’s qualifications or education level. Technical words or jargons should be avoided, unless necessary help is given to the respondents, such as providing a glossary in the questionnaire. The language used is also the primary language of the nation (such as Bahasa Melayu in Malaysia), and translation into other languages (such as English) may be useful to give a better understanding to the respondents.

Diagram 5.4: Principles of Wording



Source: Sekaran (2005: 238)

(iii) Type and Form of Questions:

- (a) Open-Ended versus Closed Questions: “open-ended questions allow respondents to answer then in anyway they choose, whereas a closed question would ask the respondent to make choices among the set of alternatives given by the researcher” (Sekaran, 2005: 239).
- (b) Positively and Negatively Worded Questions: “instead of phrasing all questions positively” (Sekaran, 2005: 240), perhaps some negatively worded questions can be incorporated in order to minimize the tendency for respondents to answer the questions ‘blindly’ without reading the questions carefully.
- (c) Double-Barreled Questions: These are questions that can cause two different answers at one time due to the structure of the question that incorporating two different elements in one question. Thus, the appropriate technique is to put the question into two types of queries.
- (d) Ambiguous Questions: These are questions that can cause confusion condition towards the respondents as the respondents unsure what exactly the questions intended to know from them.
- (e) Length of Questions: “Simple, short questions are preferable to long ones. As a rule of thumb, a question or a statement in the questionnaire should not exceed 20 words” (Sekaran, 2005: 242).
- (f) Leading Questions: “questions should not be phrased in such a way that they lead the respondents to give the responses that the researcher would like or want them to give” (Sekaran, 2004: 241).
- (g) Recall-Dependent Questions: “some questions might require respondents to recall experiences from the past that are hazy in their memory. Answers to such questions might have bias” (Sekaran, 2005: 241).

(iv) Sequencing of questions: “The sequence of questions in the questionnaire should be such that the respondent is led from questions of a general nature to those that are more specific, and from questions that are relatively easy to answer to those that are progressively more difficult” (Sekaran, 2005: 242).

(v) Classification Data or Personal Information: “personal information or demographic questions, elicit such information as age, educational level, marital status, and income.” (Sekaran, 2005: 243). The anonymity of the respondents will have high priority in this study, and the numbering system for tracking the questionnaire will be disclosed on the front page of the questionnaire, so that the respondents will be informed in advance on the purpose of the numbering system, and the procedures taken in order to ensure their confidentiality is safeguarded. Festinger and Katz (1966) introduce a system call funnel approach to facilitate easy and smooth progress of the respondent through the items in the questionnaire (taken from Sekaran, 2005: 242). As a result, this study will incorporate the best elements which have been discussed earlier in order to construct a meaningful survey.

In this study, therefore, 36 questions were formulated they are divided into five categories:

(i) Section A: There are eight questions in this section, and their aims are to gauge the demographic information, to assess the status of the respondents either they have the experience utilizing the CGC’s services or otherwise, and to examine the purpose of having the financial assistance either from CGC or other financial institutions. The questions are based on the nominal and ordinal scale format.

(ii) Section B: Five questions were formulated in this section, and the objectives are to determine the respondents’ awareness of the CGC’s Islamic guarantee schemes, to measure their familiarity about Islamic financing concept, and to identify how the respondents discover the information on CGC, its products and services. The questions are formulated by using a combination of Likert and nominal scales.

(iii) Section C: There are four questions prepared and they are designed to measure the respondents’ perceptions of the Islamic guarantee scheme, to determine their opinions on the services offered by CGC and to assess the reasons for their willingness to utilize the Islamic guarantee scheme. The questions are designed in the form of Likert scale.

(iv) Section D: There are seven questions designed by using Likert and ordinal scales. The aims of the questions are to determine the respondents' experience and opinions on the services given by CGC and what they expect to receive from the its employees. In addition, the questions are also intended to know which parties that the respondents think are responsible in increasing the qualifications of the employees who are working in the Islamic and banking sector.

(v) Section E: This is the last section in the questionnaire. There are eight questions and one of them aims to identify whether the respondents own additional views and comments about CGC other than the questions asked in the above sections. Moreover, the questions are formulated to measure the government's role and then its impact on the respondents' awareness, perceptions, and employees' qualifications. The questions are designed in the form of Likert scale and only one question takes an of open-question format.

5.4.3 Variable and Measures

Bouma and Ling (2004) suggest that research objectives can be fulfilled by focusing on the variables that influence the aims of the study. These variables are compared with the hypotheses which have been formulated earlier to see either the hypotheses synchronise with the research outcome, or if there are differences between them. Graziano and Raulin (1997) define variable as "any characteristics that can take more than one form or value" (1997: 76). In this study, interview and questionnaires are used to measure the variables. In addition, the questions must be relevant to the variable studied, so that the process will be meaningful. Scale is used as a method of measurement for the variables (such as nominal, interval and ordinal), as they have been discussed earlier.

After surveying the literature and based on individual experience, this research has come out with four independent variables in his research framework (as shown in Diagram 1.1 in Chapter 1): awareness, perception, government's role, and employees' qualification.

These four independent variables determine the dependent variable, namely the effectiveness of CGC's Islamic Guarantee Schemes.

5.4.4 Administration of Questionnaire

David and Sutton (2004: 17) clarify that: "for mail surveys envelopes need to be purchased, together with postage stamps or franking. The mail survey will need to include an introductory letter explaining the nature and purpose of the study... including a prepaid return envelope to maximize the potential response.

The mail questionnaire concept proposed by David and Sutton are implemented in this research. 300 questionnaires were printed and distributed to the randomly chosen respondent from the list of SMEs that were assembled from the portal. Every questionnaire was attached with a stamped and return addressed envelope to make it easier for the respondents to send their response. Furthermore, every questionnaire that was received was checked and verified. The questionnaire technique complemented the initial phone interview that is held with the CGC's officer. The interview was conducted so that the researcher would have a good grasp of understanding of how the operations and structures of the CGC. At the same time the session also allowed a free-flow of discussion between the researcher and officer to occur because any question would be asked and answered at once.

5.5 Data Analysis: Statistical Techniques

The collected primary data was prepared for the next process, which is data analysis. Thus, the raw data were examined and evaluated to ensure that they are ready to be analysed (Sekaran, 2005).

(i) Getting the Data Ready for Analysis

Sometimes, the questionnaires received from the respondents had blank response in some part of the questions. Thus, several criteria can be used to handle the blank response; if the unanswered questions in the questionnaire represent 25% of the questions, and then the questionnaire can be discarded (Sekaran, 2005). Next, if the blank response happens

to an interval scale, the midpoint in the scale can be chosen as the answer for the particular question). Alternatively, the unattended question can be given the mean of the total responded questions in the questionnaire.

Coding is important in order to transfer the answers from the questionnaire to the code sheet or directly key in the data. Moore (2006) proposes that coding can be simple if the numbers are given to the each question during the questionnaire design.

Sekaran recommends that for categorization, "it is useful to set up a scheme for categorizing the variables such that the several items measuring a concept are all grouped together. Responses to some of the negatively worded questions need to be reversed so that all answers are in the same direction" (2005: 305).

After every process to ensure that the data was solid, and free from error was completed, only then they were transferred to the next step which is the analysis stage.

(ii) Data Analysis

This stage requires 3 components which is the feel of data, goodness of data, and hypotheses testing (Sekaran, 2005).

Wisker (2001:244) put forwards that there is no other alternative to find the answers to the research questions except that keep on engaging to the data as it comes raw from the respondents, in order to get the 'feel' of what is emerging. Descriptive statistical tools such as measuring the frequency, central tendency and variance will give a fast feedback about the study (Sekaran, 2005: 306). Therefore, if the researcher finds out that there are anomalies during the process, then, the researcher will have to check whether there are errors in the questionnaires, such as improperly worded and biased questions. Establishing the goodness of data will produce a solid foundation and credibility for the subsequent data analysis processes.

The reliability and validity of data correlates with the goodness of data. Sekaran describes reliability as “the consistency and stability of the measuring instrument” (2005: 422), while Wisker (2001: 253) suggests reliability as “how well the research has been carried out.” Since this research is designed in a logical and systematic manner, and since the findings of the research responds directly to the research aim, it can be claimed that reliability has been established.

Validity as defined by Wisker (2001) is an important element in the research, as it encompasses the conceptual framework methods, the questions and findings. The validity of the findings can be influenced by the methods and techniques which are used to measure the issues researched. If every component fits, then it will enhance the validity of the research’s outcome. Furthermore, the validity of data is normally measure by using criterion-related validity, convergent validity and discriminant validity (Sekaran, 2005:308). The design and structure of the research is a clear indication that components of this research are coherent with each other; and hence this indicates the validity of the research.

In sum, hence, steps are taken to ensure that the validity and reliability of the analysed data is carefully processed and recorded, so that the results will be meaningful.

(iii) Interpretation of the results

The data which were analysed by using the appropriate statistical techniques and tools were interpreted based on the pattern of the respondents’ answers, results of the statistical testing onto the data and the suggestions given by the respondents as reactions towards the questionnaire.

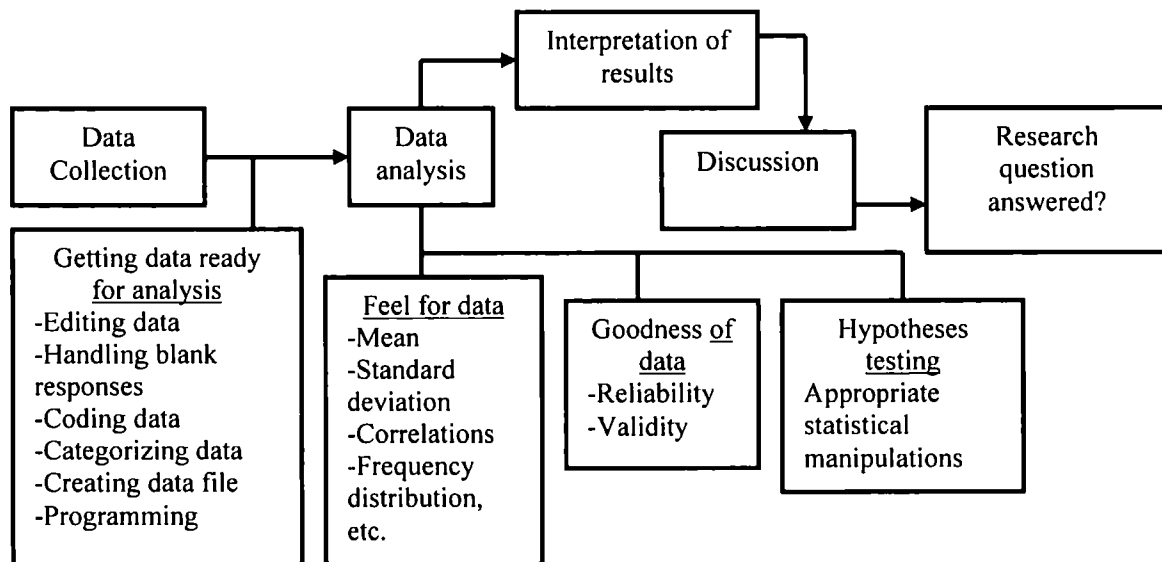
(iv) Discussion and Review of the Research Questions

Discussion was attempted to review the survey’s results and assess the strengths and weaknesses of the effectiveness of Islamic guarantees scheme provided by CGC. The next step was to see whether the interpretation of the survey results answered the research

questions or not which were presented earlier in Chapter 1. This study utilised Statistical Package for the Social Science Software (SPSS) means to analyse the data.

Sekaran (2005) proposes a diagram on how the data analysis and interpretation process should be implemented, which is depicted in Diagram 5.6.

Diagram 5.6: Flow diagram of data analysis process.



Taken from Sekaran (2005: 301)

5.6 Limitation of Study

Similar to any other controlled research, this research suffers from a number of aspects. These are identified as follows:

- (i) Respondents' attitude: Some of the respondents might answer the questionnaires without reading it thoroughly as they might consider it as a waste of time. Therefore, the answers given might not represent their attitude as accurately as possible. This was the case with some of the questionnaires in this study.
- (ii) Respondents are not representative: The small number of sample which constitutes only 300 respondents might not represent the whole population.
- (iii) Time constraint: Time allocated for this project was very minimal, 1 year. However, necessary steps were taken to overcome this problem by frequently liaising with the

officers in order to get a better and clearer picture on certain issues (should the needs arise).

(iv) The result might not represent the situation in other countries: As Malaysia is practicing dual-banking systems thus, the results derived from this study might not be completely applicable to other countries. However, they might be useful for some countries or institutions to learn from the strengths and weaknesses and the implementation of the schemes provided by Credit Guarantee Corporation Malaysia Berhad.

5.7 Conclusion

This chapter presented several key variables that were formulated from the researcher's understanding of the literature reviews, interview, intuitions and experience pertaining to this study. The variables were developed as the foundation of the study (theoretical framework): which are awareness, perception, government's roles and employees' qualification were the four independent variables, whereas the dependent variable was the effectiveness of the Islamic guarantee provided by the CGC. In addition, the suitable research methods were identified and adopted in the study.

Chapter 6:

Measuring Perceptions and Awareness of Islamic Guarantee Scheme in Malaysia: Empirical Results

6.1 Introduction

This chapter presents the empirical findings as a result of the analysis of the data collected through the questionnaire survey. There were 300 questionnaires distributed via post to the respondents, namely the SMEs entrepreneurs and only 87 of them were returned.

The data was analyzed by using the SPSS software version 15 and several statistical processes that were deemed as suitable and that could bring meaningful results were used. For instance, descriptive analysis was used to find the result for each question in order to gauge the general trend about the respondents' opinions and attitudes towards the identified issues. Meanwhile several questions were selected and they were analyzed through inferential statistical tools such as cross tabulation, correlation analysis, non-parametric analysis, analysis of variance (ANOVA) and One-Sample Test.

As shown in Table 6.1, there were 87 respondents participated in the survey comprising of various religious backgrounds. The majority of respondents are 68 Muslims (78.2%), followed by 11 Buddhists (12.6%), five Christians (5.7%) and three Hindus (3.4%).

Table 6.1: Demographic of the Respondents - Religious Backgrounds

	Religious backgrounds	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Islam	68	78.2	78.2	78.2
	Buddhist	11	12.6	12.6	90.8
	Hindu	3	3.4	3.4	94.3
	Christian	5	5.7	5.7	100.0
	Total	87	100.0	100.0	

6.2 Awareness and Perceptions

This section attempts to determine the respondents' awareness and perceptions of Islamic guarantee scheme provided by CGC and Islamic finance in general as shown in Table 6.2. The questions are constructed in form of Likert scale.

Table 6.2: Descriptive Analysis on the Awareness and Perceptions amongst the Respondents

Questions	N	Mean	Std. Deviation
B3. Do you agree that the information on Islamic guarantee schemes is widespread amongst the SMEs community?	87	2.9310	1.10804
B4. I know there is difference between Islamic guarantee schemes and conventional guarantee schemes.	87	3.9195	.93035
B5. I will always use financing based on Islamic principles whenever possible.	87	3.8851	.92038
C1. I suppose there is difference between Islamic guarantee scheme and conventional guarantee scheme in term of credit facility.	87	4.0230	.77725
C2. I feel that Islamic guarantee scheme will add value to my business.	87	3.5747	.84402
C4. I think that CGC has done a good job to promote Islamic guarantee scheme.	87	2.8276	.89191
Valid N (listwise)	87		

As can be seen there are 87 respondents for these questions. The first question (B3) is intended to gauge the respondents' opinion on the availability of information pertaining to the Islamic guarantee scheme provided by the CGC. The finding shows that most of the respondents feel that the scheme is not properly marketed or promoted, which has resulted into a less informed SMEs community about the services, as indicated by the mean result 2.93.

The next question (B4) attempts to measure the respondents' understanding of the differences between Islamic and conventional guarantee schemes. It seems that most of the respondents agree that there is a difference between conventional and Islamic guarantee, as the mean result is 3.92. This is really interesting because the result has contradicted the findings in the previous question, B3 that indicates a less informed SMEs society about the Islamic guarantee scheme provided by CGC.

Subsequently, question B5 measures the willingness of the respondents to use any form of financing based on Islamic principles. Most of them agree and are willing to use the financing that based on Islamic principles if this kind of financing available, as evidenced with the mean value of 3.89.

Next question, C1 aims to assess the respondents' view on credit facility offered by the Islamic and conventional scheme and whether there is difference between the schemes. The mean result is 4.02 and strongly indicates that the respondents do view that there is a difference in term of credit facility offered by the two schemes. This result is in sync with the previous results in questions B4 and B5. When the respondents are asked about their perceptions whether the Islamic guarantee scheme will add value to their businesses (question C2), their responses are generally neutral, although it can be argued that there is a tendency for the respondents to agree with the statement as indicated by the mean value of 3.57.

The answers given to the last question in this section (C4) shows an unfavorable response towards the statement that the Corporation has done a good job to promote the Islamic guarantee scheme with mean result of 2.83. The result mirrors the previous question in B3 that concerns with the level of awareness amongst the SMEs entrepreneurs in relation to the Islamic guarantee scheme.

6.3 Respondents' Perceptions on the Knowledge of Bank Staff

Referring to Table 6.3, generally the questions in this section assess the perceptions of the participants on the qualifications of the employees working in the Islamic finance industry and their attitudes towards the entrepreneurs and potential clients based on the respondents' experiences in dealing with the staff, opinions, and their expectation of the services that they should receive when liaising with the staff. The questions are designed in form of Likert scale.

The mean result is 4.16 in the first question D1, which implies that most of the respondents agree that qualified and resourceful staff in Islamic finance will add credible

and positive image of the employee and the company and thus, it will enhance the clients' confidence in the company and its services. This can be treated as a pulling factor for the clients to engage with the products and services.

The next question (D2) is more on gauging the respondents' experiences when personally dealing with the staff concerning Islamic financial products and services, and identify whether the staff can explain succinctly and satisfy the clients with the explanation given. The mean indicates 3.57, demonstrating that generally the respondents neither agree nor disagree with the statement, but there is a tendency towards agreeing.

The mean outcome of 4.31 of the third question (D3) confirms that every time the respondents deal with the financial institution, they expect the staff to have a good understanding of knowledge on the products and services and would be able to serve to the maximum limit.

Progressing to the question D4, the mean result is at 2.56 indicates that majority of the respondents reject the statement that the officer on some occasion is being biased to the Islamic financial products by informing the clients that there is no difference between the Islamic and conventional financial products. This result has confirmed the outcome in question D2.

Moving to the fifth question which requests the respondents to rate the services received when dealing with the institutions, most of them chose to be neutral, and this indicated by the mean result at 3.43. The last question in this section (D6) evaluates the importance of the staff to the clients in the Islamic financial institutions. Thus, when the question stated that the client does not require advice from the staff, most of the respondents reject the statement as indicated by the mean value of 2.59.

Table 6.3: Descriptive Analysis on Employee's Qualification

Questions	N	Mean	Std. Deviation
D1. I feel more confident liaising with staff that has comprehensive understanding of Islamic finance and banking.	87	4.1609	.69673
D2. The officer can explain about Islamic guarantee scheme well whenever I asked him.	87	3.5747	.70928
D3. When I am liaising with the CGC's or bank's officer, I assume that he/she has a sufficient knowledge about the products.	87	4.3103	.73628
D4. The officer on some occasions told me that there is no difference between Islamic guarantee scheme and conventional guarantee scheme.	87	2.5632	.87206
D5. How do you rate the service and advice given by the officer on Islamic guarantee scheme?	87	3.4253	.64035
D6. I do not need the advice as I can decide myself.	87	2.5862	1.07348
Valid N (listwise)	87		

6.4 Government's Role and Its Impact on Awareness, Perceptions and Employees' Qualifications

In this section, the analysis is divided into four segments: government's role, government's role in enhancing employees' qualifications, government's role in enhancing the awareness of Islamic CGS, and government's role in perceptions of Islamic guarantee scheme. The questions are in form of Likert scale.

(i) Government's Role

As indicated in Table 6.4, majority of the respondents are neutral towards the first question (E1) in this section, whereby the mean result is 3.06. They in general neither agree nor disagree about the effort that has been put up by the government in order to promote and encourage the entrepreneurs to employ the Islamic guarantee scheme provided by CGC. The result is also in sync with the outcomes derived from questions B3 and C4 which generally agree that the information about CGC is not widespread enough amongst the SMEs community.

The second question, E2, exhibits a mean result of 2.94 that implies most of the respondents do not agree that any scheme introduced by the government into the market for the entrepreneurs is suitable for them. Despite the mean value showing that majority

of the respondents do not agree with the statement, the magnitude of the mean is closer to the neutral point, which implies that some of the respondents chose to be neutral on this issue.

The next question (E3) focuses on the involvement of government in supervising the management of CGC particularly in Islamic finance industry. The presence of government will enhance the image of the institution and its products amongst the public, supported by majority of the respondents, as evidenced of mean value which is 4.05.

In question E4, this study aims at identifying the participants' perceptions on the government's actions in promoting both Islamic and conventional banking (consisting the guarantee scheme) systems. The findings indicate a mean value of 3.56 implying that most of the respondents are neutral on the issue, but the degree of the mean is nearer to the point to be agreeing on some occasions.

Table 6.4: Descriptive Analysis on Government's Role

Questions	N	Mean	Std. Deviation
E1. The government has done a good job to help Islamic guarantee scheme growing in this country.	87	3.0575	.84021
E2. Any scheme that is supported by the government means a good scheme to me.	87	2.9425	.78290
E3. Government involvement will increase the credibility of Islamic guarantee scheme amongst the public particularly the SMEs.	87	4.0460	.76109
E4. Sometimes I get confused when I see that the government is trying to promote Islamic and conventional guarantee schemes simultaneously.	87	3.5632	.83110
Valid N (listwise)	87		

(ii) Government's Role in Enhancing Employees' Qualifications

As can be seen in Table 6.5, the mean result for question E5 is 4.26 and this indicates that most of the respondents agree that having a sufficient knowledge of Islamic finance is really crucial for those who are working in the banking and financial institutions. Furthermore, the respondents believe that government can play the main role on this matter by compelling regulations that require every institution that offers Islamic banking services to provide sufficient training for their staff.

The result for question (E6), is a bit different from E5. The previous result confirms that most of the respondents agree that government should play a fundamental role in ensuring that the industry should have knowledgeable workers in Islamic finance. However, in E6 with the mean result of 3.60, the majority of the respondents is closer to neutral and views the move taken by the government to establish specific learning centers for Islamic finance as insignificant and unnecessary. Nevertheless, the magnitude of the mean is very close to the point of agreeing with the questionnaire statement.

Table 6.5: Descriptive Analysis on Government's Role-Employees' Qualifications

Questions	N	Mean	Std. Deviation
E5. I believe that the government should make it compulsory for the staff who is working in the Islamic finance and banking sector to have appropriate knowledge in the field.	87	4.2644	.73863
E6. The move taken by the government to establish institution that offers qualification in Islamic finance will increase the efficiency and knowledge of the employees.	87	3.5977	.72272
Valid N (listwise)	87		

(iii) Government's Role in Enhancing the Awareness

As depicted in Table 6.6, the mean result for question E7 is 3.77, and this indicates that a majority of the respondents neither agree nor disagree with the statement that the government's policies have contributed to their awareness of Islamic finance. Nevertheless, the degree of the mean is very close to the point of agreeing with the statement. This result may be explained by majority of the respondents' failure to follow the national news especially on government policies. Therefore, they chose to be neutral on this issue. The next outcome in question E8 confirms the previous result in E7, as the respondents chose to be neutral on whether government gives incentives to the entrepreneurs using Islamic guarantee scheme.

Table 6.6: Descriptive Analysis on Government's Role-Awareness

Questions	N	Mean	Std. Deviation
E7. Government initiatives to promote Malaysia as a regional financial hub in Islamic finance and banking industry have raised my awareness on the Islamic financing products.	87	3.7701	.80263
E8. I know that the government has given many incentives to the entrepreneurs who are using Islamic guarantee schemes.	87	3.1494	.80013
Valid N (listwise)	87		

(iv) Government's role in the Development of Perception on Islamic CGS

Table 6.7 below shows the mean result of 4.13 for question E9, which means that majority of the respondents agree that if more incentives are given to those who are using the Islamic guarantee scheme, it may stimulate the entrepreneurs' desire to engage with the services. The next question (E10) is constructed in negative wording, so that researcher may know whether the respondents answer the questionnaire truthfully or vice versa. The outcome of the mean is 2.68, signifying that a large number of respondents do believe that the program initiated by the government to promote the Islamic guarantee scheme will bring some positive impacts on them. This result is supported by previous outcomes especially in questions B3 and C4, which demonstrate that a majority of the respondents are looking for information on Islamic guarantee scheme.

The mean of next question E11 is at 4.00, indicating that most of the respondents having faith on the government's programmes, particularly on Islamic finance.

Table 6.7: Descriptive Statistics on Government's Role-Perception

Questions	N	Mean	Std. Deviation
E9. I think if more incentives given to Islamic guarantee scheme's clients, it is likely that more entrepreneurs will utilize the services.	87	4.1264	.71210
E10. I believe that the program initiated by the government to promote Islamic guarantee scheme is indifferent to me.	87	2.6782	.89565
E11. The more programmes organized by the government on Islamic financing, the more confident I am to utilize the Islamic guarantee scheme.	87	4.0000	.73136
Valid N (listwise)	87		

6.5 Measuring The Impact of Religion on Business and Financial Choices

Table 6.8: Cross tabulation Analysis on Religion versus the Financing Avenue

Religion	If you need money for business reason, would you borrow from Islamic bank or Islamic financial institution?			Total
	Islam	Count	43	43
		Percentage	87.8%	87.8%
	Buddhist	Count	4	4
		Percentage	8.2%	8.2%
	Hindu	Count	1	1
		Percentage	2%	2%
	Christian	Count	1	1
		Percentage	2%	2%
	Total	Count	49	49
		Percentage	100%	100%

The analysis of results depicted in Table 6.8 until Table 6.14 are based questions in which the respondents can choose more than one answer. Thus, in some cases responded answers are less than 87 (the total number of respondents in this study). The analysis in this section is mainly based on cross-tabulation. As the results depicted in Table 6.8 above, 87.8% or 43 Muslim respondents express that they would borrow from the Islamic financial institutions, followed by 4 (8.2%) Buddhist respondents and a Hindu (2%) and a Christian (2%).

Table 6.9: Cross tabulation Analysis on Religion versus the Financing Avenue

Religion	If you need money for business reason, would you borrow from family or friends?			Total
	Islam	Count	19	19
		Percentage	86.4%	86.4%
	Hindu	Count	1	1
		Percentage	4.5%	4.5%
	Christian	Count	2	2
		Percentage	9.1%	9.1%
	Total	Count	22	22
		Percentage	100%	100%

As can be seen in Table 6.9 above, 86.4% Muslim respondents prefer to get business financing from their family or friends, followed by two Christians (9.1%) and a single (4.5%) Hindu. Borrowing from relatives and close friends are common in every community due to the less stringent process, blood relations and friendship factors,

immediate responses and others. Also, it shows that business mentality still runs in traditional modes and also that financial awareness has not taken place in the society.

Table 6.10: Cross tabulation Analysis on Religion versus the Financing Avenue

Religion	If you need money for business reason, would you borrow from conventional bank or conventional financial institution?			Total
	Islam	Count Percentage	24 63.2%	24 63.2%
	Buddha	Count Percentage	9 23.7%	9 23.7%
	Hindu	Count Percentage	2 5.3%	2 5.3%
	Christian	Count Percentage	3 7.9%	3 7.9%
	Total	Count Percentage	38 100%	38 100%

Table 6.10 above demonstrates that 63.2% of the Muslim respondents like to borrow from the conventional financial institution to finance their businesses, followed by 23.7% Buddhist, 7.9% Christian and 5.3% Hindu.

Table 6.11: Cross tabulation Analysis on Religion versus the Financing Avenue

Religion	If you need money for business reason, would you borrow from other institution?			Total
	Islam	Count Percentage	5 100%	5 100%
	Total	Count Percentage	5 100%	5 100%

In Table 6.11 above, illustrates that five Muslim respondents are opting to finance their businesses from other sources. The respondents are requested to name the institutions that they prefer to liaise with, and majority of them opted for MARA as their main avenue for financing. MARA is a government agency establish by the government to develop the socio-economics of the indigenous in Malaysia. The agency has several of funds, soft loans and programs that are designed to help the entrepreneurs to develop their businesses.

Table 6.12: Cross tabulation Analysis on Type of Business versus the Financing Avenue

Type of business	If you need money for business reason, would you borrow from Islamic bank or Islamic financial institution?			Total
	Sole proprietor	Count	18	18
		Percentage	36.7%	36.7%
	Partnership	Count	9	9
		Percentage	18.4%	18.4%
	Limited company	Count	20	20
		Percentage	40.8%	40.8%
	Public limited company	Count	2	2
		Percentage	4.1%	4.1%
Total		Count	49	49
		Percentage	100%	100%

In Table 6.12, the respondents are divided into four categories; sole proprietor, partnership, limited company and public limited company, and the question aims to locate their financing attitudes. The owners of public limited companies are the largest group (20 respondents or 40.8%) that is willing to obtain Islamic financing for their businesses purposes, followed by sole proprietor companies (18 respondents or 36.7%), nine respondents (18.4%) who are owner of partnerships and the least is public limited company (2 respondents or 4.1%).

Table 6.13: Cross tabulation Analysis on Type of Business versus the Financing Avenue

Type of business	If you need money for business reason, would you borrow from conventional bank or conventional financial institution?			Total
	Sole proprietor	Count	14	14
		Percentage	36.8%	36.8%
	Partnership	Count	7	7
		Percentage	18.4%	18.4%
	Limited company	Count	15	15
		Percentage	39.5%	39.5%
	Public limited company	Count	2	2
		Percentage	5.3%	5.3%
Total		Count	38	38
		Percentage	100%	100%

As depicted in Table 6.13, limited company (15 respondents) is the major group that is willing to borrow from conventional financial institutions or 39.5%, followed by sole proprietor (14 respondents) or 36.8%, partnership (7 respondents or 18.4%) and the least is public limited company (2 respondents or 5.3%).

Table 6.14: Cross tabulation Analysis on Type of Business versus the Financing Avenue

Type of business	If you need money for business reason, would you borrow from family or friends?			Total
	Sole proprietor	Count Percentage	12 54.5%	12 54.5%
	Partnership	Count Percentage	1 4.5%	1 4.5%
	Limited company	Count Percentage	8 36.4%	8 36.4%
	Public limited company	Count Percentage	1 4.5%	1 4.5%
	Total	Count Percentage	22 100%	22 100%

Referring to Table 6.14, the highest group of respondents who are willing to borrow from family member and friends are the sole proprietors (12 respondents), followed by 8 respondents of limited companies, and single respondent for a public limited company and partnership.

Table 6.15: Cross tabulation Analysis on Type of Business versus the Financing Avenue

Type of business	If you need money for business reason, would you borrow from other institution?			Total
	Sole proprietor	Count Percentage	3 60%	3 60%
	Partnership	Count Percentage	2 40%	2 40%
	Total	Count Percentage	5 100%	5 100%

There are only five respondents who prefer to borrow money from other sources, such as sole proprietor (three respondents) and partnership (two respondents), as demonstrated in Table 6.15. The alternative source of funding is similar in Table 6.11 which mentions MARA as their main alternative for securing financing for businesses.

Table 6.16: Cross tabulation Analysis on Religion versus the Understanding on Credit Facility

			I suppose there is difference between Islamic guarantee and conventional guarantee scheme in term of credit facility.					Total
			Strongly disagree	Disagree	Neutral	Agree	Strongly agree	
Religion	Islam	Count Percentage	0 0%	0 0%	2 2.9%	47 69.1%	19 27.9%	68 100%
	Buddha	Count Percentage	1 9.1%	1 9.1%	0 0%	9 81.8%	0 0%	11 100%
	Hindu	Count Percentage	0 0%	0 0%	2 66.7%	1 33.3%	0 0%	3 100%
	Christian	Count Percentage	0 0%	4 80%	0 0%	1 20%	0 0%	5 100%
Total			1 1.1%	5 5.7%	4 4.6%	58 66.7%	19 21.8%	87 100%

Table 6.16 is shows the results of the respondents' responses given towards the statement aiming to gauge the understanding of the respondents on the difference between the Islamic and conventional guarantee schemes according to their belief. The highest numbers of respondents who are agree with the statement, comprising 69.1% Muslims, 81.8% Buddhists, 33.3% Hindu and 20% Christian. In addition, 27.9% Muslim respondents strongly agree that there is difference between the Islamic and conventional guarantee scheme. It is interesting to note that there is none of the Muslim rejects the statement while only 2.9% remains neutral, together with 66.7% Hindus. On the other hand, 80% Christians and 9.1% Buddhist respondents reject the statement, followed by one Buddhist who is disagree with the issue. Even tough there are rejections from some of the non-Muslims, majority of the non Muslim respondents are having some input that the Islamic guarantee scheme and its conventional counterpart is different.

Table 6.17: Cross tabulation Analysis on Religion versus the Anticipation on Value Added to the Business

			I feel that Islamic guarantee scheme will add value to my business.					Total
			Strongly disagree	Disagree	Neutral	Agree	Strongly agree	
Religion	Islam	Count Percentage	0 0%	1 1.5%	23 33.8%	33 48.5%	11 16.2%	68 100%
	Buddha	Count Percentage	1 9.1%	2 18.2%	5 45.5%	3 27.3%	0 0%	11 100%
	Hindu	Count Percentage	0 0%	1 33.3%	2 66.7%	0 0%	0 0%	3 100%
	Christian	Count Percentage	0 0%	2 40%	3 60%	0 0%	0 0%	5 100%
Total			1 1.1%	6 6.9%	33 37.9%	36 41.4%	11 12.6%	87 100%

Table 6.17 demonstrates that a majority of the Muslim respondents (48.5%) and 27.3% Buddhist respondents agree that Islamic guarantee scheme will bring added value to their businesses. Moreover, 16.2% Muslim respondents are strongly confident about the benefits of using the Islamic guarantee scheme. On the other hand, 18.2% Buddhist, 40% Christian, 1.5% Muslim and 33.3% Hindu respondents display a contradictory belief about the added values of the Islamic guarantee scheme. Nonetheless, there is a large number of respondents who are neutral; 33.8% of Muslim, 45.5% of Buddhist, 60% of Christian and 66.7% of Hindu. Although it seems that most of the respondents have positive expectations of the scheme, attention one should be given more towards the neutral side by approaching them and gives explanation on the benefits of using the Islamic guarantee schemes, either commercially and spiritually (for the Muslims). If the Corporation fails to recruit those entrepreneurs who remain neutral, in the future it may affect the performance of the Islamic guarantee scheme.

Table 6.18: Cross tabulation Analysis on Religion versus the Willingness in Engaging with Islamic Financing

			I will use financing based on Islamic principles whenever possible.					Total
			Strongly disagree	Disagree	Neutral	Agree	Strongly agree	
Religion	Islam	Count Percentage	0 0%	0 0%	10 14.7%	37 54.4%	21 30.9%	68 100%
	Buddha	Count Percentage	1 9.1%	3 27.3%	3 27.3%	4 36.4%	0 0%	11 100%
	Hindu	Count Percentage	0 0%	1 33.3%	1 33.3%	1 33.3%	0 0%	3 100%
	Christian	Count Percentage	0 0%	3 60%	1 20%	0 0%	1 20%	5 100%
Total			1 1.1%	7 8%	15 17.2%	42 48.3%	22 25.3%	87 100%

As depicted in Table 6.18, the result is remarkable in the sense that there is zero disagreement amongst the Muslim respondents on the statement of always using Islamic financing whenever possible. Most of the Muslim respondents agree with the statement (54.4% respondent) and 30.9% of the respondents are extremely confident that they will use the Islamic financing instruments if possible. Only 14.7% respondents chose to be neutral. Total rejection comes from Buddhist (9.1%), while 60% of Christian, 27.3% of Buddhist and 33.3% of Hindu respondents disagree with the statement. Besides that, there are five respondents who are neutral (three Buddhists, a Hindu and a Christian).

Table 6.19: One-Sample Test on the Willingness to Engage on Islamic financing

	Test value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
I will always use financing based on Islamic principles whenever possible.	39.372	86	.000	3.88506	3.6889	4.0812

To substantiate the results in Table 6.18 above, one sample test was conducted to see whether the participants will always use Islamic financing whenever it is available. As shown in Table 6.19, the One-Sample Test produces a significant result ($t(86) = 39.37$, $p < .05$), which entails that a majority of the respondents are either neutral or with the question. Thus, in return it demonstrates a moderate difference between the two groups.

6.6 Analysing the Attitudes of Business Towards Loan Usage

The cross tabulation analyses presented in the following tables; Table 6.20 to Table 6.28 aim to determine the reasons for obtaining the loan. The respondents can choose more than one answer for this question. Thus, the total number of the respondents would not be the same, as there are only 21 respondents out of 87 respondents who have the experience of using the CGC's guarantee scheme before.

Table 6.20: Cross tabulation Analysis on Type of Business versus the Purpose of the Loan

			Purpose of the loan	Total
			Working capital	
Type of business	Sole proprietor	Count Percentage	2 15.4%	2 15.4%
	Partnership	Count Percentage	4 30.8%	4 30.8%
	Limited company	Count Percentage	7 53.8%	7 53.8%
Total		Count Percentage	13 100%	13 100%

In Table 6.20 above, there are 13 respondents had used the loan as their working capital. The highest number of respondents are from public limited company (53.8%), next is the partnership (4%), and two from sole proprietor (15.4%).

Table 6.21: Cross tabulation Analysis on Type of Business versus the Purpose of the Loan

			Purpose of the loan	Total
			Initial set-up capital	
Type of business	Public limited company	Count Percentage	1 100%	1 100%
Total		Count Percentage	1 100%	1 100%

Table 6.21 indicates that only one respondent of public limited company used the loan as its initial set-up capital.

Table 6.22: Cross tabulation Analysis on Type of Business versus the Purpose of the Loan

			Purpose of the loan	Total
			Business expansion	
Type of business	Partnership	Count Percentage	1 11.1%	1 11.1%
	Limited company	Count Percentage	8 88.9%	8 88.9%
Total		Count Percentage	9 100%	9 100%

Referring to Table 6.22, it indicates that nine respondents (88.9%) from limited companies and 11.1% (partnership) had used the financing received to expand their businesses.

Table 6.23: Cross tabulation Analysis on Type of Business versus the Purpose of the Loan

			Purpose of the loan	Total
			Other	
A3 Type of business	Sole proprietor	Count Percentage	1 50%	1 50%
	Limited company	Count Percentage	1 50%	1 50%
Total		Count Percentage	2 100%	2 100%

In Table 6.23, there are only two respondents (one from sole proprietor and limited company respectively) who used the loan received for other business purposes.

Table 6.24: Cross tabulation Analysis on Size of Employees versus the Purpose of the Loan

			Purpose of the loan	Total
			Initial set-up capital	
Size of employees	Within 5-19 employees	Count Percentage	1 100%	1 100%
Total		Count Percentage	1 100%	1 100%

Table 6.24 indicates that only one respondent with 5-19 employees will be using the loan received for initial set-up capital.

Table 6.25: Cross tabulation Analysis on Size of Employees versus the Purpose of the Loan

			Purpose of the loan	Total
			Working capital	
Size of employees	Less than 5 employees	Count Percentage	3 23.1%	3 23.1%
	Within 5-19 employees	Count Percentage	5 38.5%	5 38.5%
	Within 20-50 employees	Count Percentage	4 30.8%	4 30.8%
	Within 51-150 employees	Count Percentage	1 7.7%	1 7.7%
Total		Count Percentage	13 100%	13 100%

As the results in Table 6.25 above show that, 13 respondents plan to use the loan as working capital as characterized by 38.5% from companies with 5-19 employees, followed by 30.8% from companies with 20-50 employees, 23.1% companies with less than 5 employees and 7.7% from respondent with 51-150 employees.

Table 6.26: Cross tabulation Analysis on Size of Employees versus the Purpose of the Loan

			Purpose of the loan	Total
			Business expansion	
Size of employees	Within 5-19 employees	Count Percentage	4 44.4%	4 44.4%
	Within 20-50 employees	Count Percentage	3 33.3%	3 33.3%
	Within 51-150 employees	Count Percentage	2 22.2%	2 22.2%
Total		Count Percentage	9 100%	9 100%

The results in Table 6.26 indicates that nine respondents intend to use the loan for business expansion, with the highest number comes from companies with 5-19 employees (44.4% respondent), followed by the companies with 20-50 employees (33.3% respondent), and two companies (22.2%) with 51-150 employees.

Table 6.27: Cross tabulation Analysis on Size of Employees versus the Purpose of the Loan

			Purpose of the loan	Total
			Other	
Size of employees	Less than 5 employees	Count Percentage	1 50%	1 50%
	Within 5-19 employees	Count Percentage	1 50%	1 50%
Total		Count Percentage	2 100%	2 100%

In Table 6.27, the results indicate that two respondents are planning to use the loan for other reasons than what have been offered in the questionnaire. The respondent is a company with less than 5 employees and one respondent with 5-19 employees.

6.7 Perceptions on Training and Educating the Bank Employees

Question D7 asks the respondents to rank the importance they attribute to the identified institutions in terms of the responsibility in increasing the qualifications of bank staff working in Islamic banking sector. The mean value method is adopted in the study to measure the importance of each party and the results are depicted in table 6.27.

Table 6.28: The Mean Ranking of Parties in Term of Employees' Qualification

Government	Employers	Employees	Banks or financial institution associations	Consumer Associations
2.01	2.45	3.52	2.73	4.29

The results show that the consumer association is chosen as the most important party that should force for the improvement of the employees' qualifications who are working in the sector. The employee's factor has occupies the second rank, followed by the banks or financial institution associations, the employers and the government. The result is strengthened by the results produced by the non-parametric test's Kendall's Tau as shown in Table 6.29 and 6.30. The explanation derived from the results implies that for each answer chosen by the respondents, there is a correlation from one answer to another. The significance level shows the strength of correlation between the answers given. For

example, in Table 6.28, the respondents answering D7-1 will have the tendency to choose D7-2 as well, as a supplementary answer to the previous one. The next answers also show a similar pattern.

Table 6.29: Correlation Analysis in Term of Employees' Qualification

			D7-1 If you think that staff should further be trained, how do you rank in term of responsibility to increase employees' qualifications in Islamic finance and banking (1st Rank)	D7-2 If you think that staff should further be trained, how do you rank in term of responsibility to increase employees' qualifications in Islamic finance and banking (2nd Rank)
Kendall's tau_b	D7-1 If you think that staff should further be trained, how do you rank in term of responsibility to increase employees' qualifications in Islamic finance and banking (1 st Rank).	Correlation Coefficient	1.000	-.314**
		Sig. (2 tailed)	.	.001
		N	87	87
	D7-2 If you think that staff should further be trained, how do you rank in term of responsibility to increase employees' qualifications in Islamic finance and banking (2 nd Rank).	Correlation Coefficient	-.314**	1.000
		Sig. (2 tailed)	.001	.
		N	87	87

** . Correlation is significant at the 0.01 level (2-tailed)

Table 6.30: Correlation Analysis in Term of Employees' Qualification

			D7-3 If you think that staff should further be trained, how do you rank in term of responsibility to increase employees' qualifications in Islamic finance and banking (3 rd Rank)	D7-4 If you think that staff should further be trained, how do you rank in term of responsibility to increase employees' qualifications in Islamic finance and banking (4 th Rank)	D7-5 If you think that staff should further be trained, how do you rank in term of responsibility to increase employees' qualifications in Islamic finance and banking (5 th Rank)
Kendall's tau_b	D7-3 If you think that staff should further be trained, how do you rank in term of responsibility to increase employees' qualifications in Islamic finance and banking (3 rd Rank)	Correlation Coefficient	1.000	-.351**	-.333**
		Sig. (2 tailed)	.	.000	.000
		N	87	87	87
	D7-4 If you think that staff should further be trained, how do you rank in term of responsibility to increase employees' qualifications in Islamic finance and banking (4 th Rank)	Correlation Coefficient	-.351**	1.000	.008
		Sig. (2 tailed)	.000	.	.932
		N	87	87	87
	D7-5 If you think that staff should further be trained, how do you rank in term of responsibility to increase employees' qualifications in Islamic finance and banking (5 th Rank)	Correlation Coefficient	-.333**	.008	1.000
		Sig. (2 tailed)	.000	.932	.
		N	87	87	87

** . Correlation is significant at the 0.01 level (2-tailed)

6.8 Attitudes towards Guarantee Scheme

Table 6.31: Cross tabulation Analysis on Type of Business versus the Utilization of CGC Guarantee Scheme

			Have you used credit guarantee facilities from CGC?		Total
			Yes	No	
Type of business	Sole proprietor	Count Percentage	3 14.3%	32 48.5%	35 40.2%
	Partnership	Count Percentage	4 19%	12 18.2%	16 18.4%
	Limited company	Count Percentage	13 61.9%	19 28.8%	32 36.8%
	Public limited company	Count Percentage	1 4.8%	3 4.5%	4 4.6%
Total		Count Percentage	21 100%	66 100%	87 100%

In Table 6.30, four groups of respondents were asked whether they had ever used the CGC's guarantee schemes before and the results showed that 21 respondents had had the experience of using the financial instrument. However, a large number of them do not have any past experience of the scheme. The highest group of respondents that has had used the scheme before is limited company (13 respondents or 61.9%), next is the partnership company (four respondents or 19%), followed by sole proprietor (three respondents or 14.3%) and the least is the public limited company (one respondent or 4.8%). The biggest number of respondents comes from the sole proprietor (48.5%) and yet, they record the highest number of respondents (32) that do not have any experiences of using the scheme before. They are followed by limited company (19 respondents or 28.8%), partnership (18.2%) and public limited company (4.5%) which 12 and three respondents respectively. There is possibility that the sole proprietor's group is engaging with other financing alternative as recorded in the results illustrated in Table 6.15.

Table 6.32: Cross tabulation Analysis on Type of Business versus the Type of Guarantee Scheme Used

			What kind of credit guarantee facilities have you used?			Total
			Islamic guarantee scheme	Conventional guarantee scheme	I have used the guarantee scheme but failed to remember the type of the scheme (either conventional or Islamic based)	
Type of business	Sole proprietor	Count Percentage	0 0%	1 16.7%	2 22.2%	3 14.3%
	Partnership	Count Percentage	2 33.3%	1 16.7%	1 11.1%	4 19%
	Limited company	Count Percentage	4 66.7%	4 66.7%	5 55.6%	13 61.9%
	Public limited company	Count Percentage	0 0%	0 0%	1 11.1%	1 4.8%
Total		Count Percentage	6 100%	6 100%	9 100%	21 100%

Referring to Table 6.32 above, the result is a continuation from Table 6.31. There are 21 respondents had a first hand experience with the CGC's guarantee scheme. Thus, out of these respondents, only six of them had used the CGC's Islamic guarantee scheme before, 66.7% from limited companies and 33.3% from partnership businesses. Nevertheless, nine respondents could not remember which schemes were used by them, either Islamic or conventional guarantee schemes (55.6% from limited companies, 22.2% from proprietors, and 11.1% for partnership and public limited company respectively). On the other hand, six respondents recorded to have used conventional guarantee scheme; four from limited companies (66.7%) and one (11.1%) from sole proprietor and partnership respectively.

Table 6.33: Cross tabulation Analysis on Size of Employees versus the Availability of Information

			Do you agree that the information on Islamic guarantee scheme is widespread amongst the SMEs community?					Total
			Strongly disagree	Disagree	Neutral	Agree	Strongly agree	
Size of employees	Less than 5 employees	Count Percentage	3 75%	14 38.9%	5 29.4%	6 27.3%	4 50%	32 36.8%
	Within 5-19 employees	Count Percentage	1 25%	11 30.6%	7 41.2%	12 54.5%	1 12.5%	32 36.8%
	Within 20-50 employees	Count Percentage	0 0%	8 22.2%	5 29.4%	2 9.1%	0 0%	15 17.2%
	Within 51-150 employees	Count Percentage	0 0%	3 8.3%	0 0%	2 9.1%	3 37.5%	8 9.2%
Total		Count Percentage	4 100%	36 100%	17 100%	22 100%	8 100%	87 100%

Table 6.33 above aims to gauge the respondents' perceptions on the awareness of Islamic guarantee schemes amongst the entrepreneurs by tabulating the firms' size. The results indicate that there is a slight difference between those who are agreed (30 respondents) that the information of the Islamic guarantee scheme is well known amongst the SMEs community and those feel differently (40 respondents). The proponents of the statement come from 10 respondents with less than 5 employees, 13 respondents with 5-19 employees, five respondents with 51-150 employees and two respondents with 20-50 employees. Meanwhile, the rejections come from 17 respondents with less than 5 employees, 12 respondents with 5-19 employees, eight respondents with 20-50 employees and three respondents with 51-150 employees. On the other hand, 17 respondents choose to be neutral: seven respondents with 5-19 employees and five respondents each for companies with 20-50 employees and less than five employees.

Table 6.34: One-Sample Test on Size of Employees versus the Availability of Information

	Test value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you agree that the information on Islamic guarantee scheme is widespread enough amongst the SMEs community?	24.673	86	.000	2.93103	2.6949	3.1672

Referring to Table 6.34, it shows that the responses to question B3 produce significant result ($t(86) = 24.67, p < .05$) when the One-Sample Test was run, and the results substantiate the results in Table 6.33 on the same issue. Therefore, it implies that the concentration of answers by the respondents on the particular question is moderate, as many of them were disagree or neutral on their feedbacks towards the question. Moreover, it can be stated that the importance of information on the Islamic guarantee scheme is paramount.

6.9 Perception of Government's Action and Initiatives Regarding Guarantee Scheme

In order to test the significant difference in mean values within categories and variables in locating the respondents' perceptions of the government's actions and initiatives regarding the Islamic CGS, ANOVA and k Independent Samples tests are incorporated in the study. The results indicate that there is no significant difference from the response received out of various factorial groups due to the mean values are very close to each other. For instance, a result from series of ANOVA test is shown in Table 6.35.

Table 6.35: Analysis of Variance on the Effect of Government's Action on the Promotional Aspect for Both Schemes

Sometimes I get confused when I see that the government is trying to promote Islamic and conventional guarantee schemes simultaneously.					
	Sum of Squares	df	Mean Square	F	Sig.
Between groups	1.196	3	.399	.568	.637
Within groups	58.207	83	.701		
Total	59.402	86			

The results in Table 6.35 above indicates that there is no significant outcome (since > 0.05) at the 95% as the confidence level for this statement that government promotion strategies cause confusion amongst the respondents. This outcome is further strengthened by the result achieved in the K Independent Samples test as illustrated in Table 6.36 and 6.37.

Table 6.36: K-Independent Sample Test on the Effect of Government's Action on the Promotional Aspect for Both Schemes (based on size of employees)

	Size of employees	N	Mean Rank
Sometimes I get confused when I see that the government is trying to promote Islamic and conventional guarantee schemes simultaneously.	Less than 5 employees	32	43.95
	Within 5-19 employees	32	49.66
	Within 20-50 employees	15	37.73
	Within 51-150 employees	8	33.31
	Total	87	

Table 6.37: K-Independent Sample Test on the Effect of Government's Action on the Promotional Aspect for Both Schemes (based on size of employees)

Test Statistics^{a,b}

	Sometimes I get confused when I see that the government is trying to promote Islamic and conventional guarantee schemes simultaneously.
Chi-Square	4.569
df	3
Asymp. Sig.	.206

a. Kruskal Wallis Test

b. Grouping Variable: A4 Size of Employees

In Table 6.36, the result shows that the difference of each variable is very small to one and another, thus, influencing the significance of the analysis, as described in Table 6.37 and this signifies the insignificant outcome of the analysis (since > 0.05).

Table 6.38: One-Sample Test on the Government's Initiatives and the Consequence

	Test value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Government initiatives to promote Malaysia as a regional financial hub in islamic finance and banking industry have raised my awareness on the Islamic financing products.	43.813	86	.000	3.77011	3.5991	3.9412

The respondents are asked to express their opinions on government's initiatives in promoting Malaysia as a regional hub in Islamic finance and banking and whether this has contributed to the individual respondents' awareness of the Islamic finance products. Table 6.38 shows that One-Sample Test is run for question E7, and it produces a significant result ($t(86) = 43.81$, $p < .05$) with the difference between the lower and upper interval is very small. This means that most of the respondents prefer to be neutral or closer to an agreeing position based on their response to this particular question. Furthermore, it can be stated that the initiatives taken by the government to promote Malaysia as a regional hub for Islamic banking is important in creating awareness amongst the public.

Table 6.39: One-Sample Test on the Government's Initiatives and Its Impact on Respondents

	Test value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
I believe that the program initiated by the government to promote Islamic guarantee scheme is indifferent to me.	27.891	86	.000	2.67816	2.4873	2.8691

Table 6.39 above depicts the results of the analysis to measure the level of interest of indifference to programme initiated by the government to promote Islamic CGS. The results of the One-Sample Test shows a significant outcome ($t(86) = 27.89, p < .05$) implying that the activities organized by the government to produce the Islamic guarantee scheme will influence the respondents' perceptions and behavior towards the Islamic guarantee scheme and hence they are not particularly insignificant. Furthermore, the result also indicates that the difference between the upper and lower interval is small and a majority of the respondents tends to opt disagree with the statement (as the statement is negatively worded question).

6.10 Conclusion

In general, the respondents' answers towards the CGC were tested by various statistical instruments in order to digest the data and derive the meaningful results out of it. The results are not consistent, in the sense that while the respondents view the Corporation as being successful in certain areas, they are in the opinion that there should be some improvement for efficiency in other parts. For example, majority of the respondents are aware about the functions and services offered by the Corporation, however, most of them do not aware about the availability of Islamic guarantee scheme. These results are further discussed in the following chapter.

Chapter 7: Discussion

7.1 Introduction

This chapter discusses the findings of the empirical results presented in Chapter 6, that aims to measure the respondents' opinions towards Islamic guarantee scheme in particular, and Islamic finance in general based on their experiences, awareness, and perceptions. Furthermore, the chapter attempts to contextualize the empirical results with the previous studies that may have explored the same dimension as what is intended to be achieved by this study.

This chapter is divided into three main components. The first part discusses the empirical results of this study and contextualizes them with the previous research that may have similarities or contrasts. The next part evaluates the implications of the discussed findings on the CGC's Islamic guarantee scheme. Finally, the last section attempts to provide recommendations in order to improve the performance of the Islamic guarantee scheme.

7.2 Empirical Results: Interpretative Analysis

This section is divided into five parts based on the questionnaire structure. The first part is about the demographic and general information of the respondents, the second is about the awareness, followed by section the on perception, then on employees' qualifications and government's role.

7.2.1 Analysis on Demographic and General Information of the Respondents

The total respondents are 87 and the Muslims are the majority (78.2%), followed by Buddhists (12.6%), Christians (5.7%) and Hindus (3.4%) based on their religious backgrounds. Demographic analysis that is based on religious background serves better in this study as compared to ethnicity, age, income, or level of study, because religiosity can provide better information whether a particular case is affected by religious background

or vice versa, as we know that Islamic finance is based on faith and thus, religiosity is a critical component to be evaluated in this study.

Besides that, in term of type of SME business, sole proprietor (40.2%) is the largest group of respondents in the study, followed by limited company (36.8%), partnership (18.4%) and public limited company (4.6%). The result reflects the situation of SMEs in Malaysia, which is characterized by sole proprietor as the largest type of business in the sector due to the less stringent regulation imposed on this type of business to be established and require smaller capital as compared to others.

Furthermore, the analysis indicates 21 of them had been using CGC guarantee scheme facilities only, whereby the number of respondents who were using both the Islamic and conventional guarantee scheme is the same (6), meanwhile 9 of them could not remember which of the scheme they had used. In addition, when the type of business and size of employee are used as factors, most of the respondents choose working capital as the main reason to secure financing, business expansion is listed as the second reason, and followed by initial set-up capital. This finding is in line with Green (2003: 37) on the importance of working capital.

7.2.2 Analysis on Awareness of the Respondents

The level of awareness amongst the respondents towards the CGC's Islamic guarantee scheme is moderate. Only 39.1% or 34 respondents knew about the Islamic based scheme even though it has been in the market for more than 10 years and the respondents are those who are involved in the SMEs, a sector that CGC is supposed to focus on. The level of awareness signals that something is not run as expected in terms of information distribution about the scheme. The largest portion of the respondents opted for the option that they know about the Corporation from CGC with their initiative (25.3%), followed by electronic media (18.4%), bank and financial institutions (16.1%), printed media, friends and family and lastly professional organizations. It implies that despite the moderate level of respondents' awareness of Islamic guarantee scheme, in term of CGC's image as a credit guarantee company is widely known amongst the SMEs community. In

other word, there is a gap between the level of awareness of CGC and CGC's Islamic guarantee scheme.

When the question about the availability of information on the Islamic guarantee scheme was put forward, a majority of them agreed that the scheme is not properly marketed and the dissemination of information is not very effective towards the target audience. Having said that, a majority of the respondents show a contradictory response when they indicate that they know there is a difference between Islamic and conventional guarantee schemes. This is an interesting study because at one end they are saying that the information about the scheme is not sufficiently available, however, on the other hand, they seem to know about the distinguishing aspect of Islamic guarantee scheme.

Thus, two possibilities can be suggested. The first possibility is that the respondents do have some understanding of the schemes (Islamic and conventional) based on their knowledge, experiences and the nature of their job which involves various forms of financings with numerous financial institutions and that not only confined to CGC, but also comprising of Islamic and conventional banks. The second possibility is that the respondents may just perceive that there should be a difference as the name of the scheme implies, without having a thorough knowledge of the subject matter. Furthermore, since a majority of the respondents are Muslims, it may influence a more favorable result. As a Muslim, the person can possibly learn about Islamic finance and the prohibition of interest or *riba'* through religious activism, which can instigate some knowledge of the Islamic finance in that person's mind. Abdul Hamid and Mohd Nordin (2001) agree that the religious teaching in Malaysian schools have given students a general concept on Islamic business transactions or *muamalat*.

Moreover, most of the respondents agree and are willing to use the financing that based on Islamic principles if it is available, with a mean result of 3.89. Again, this may be characterized by religious background, or the respondents may have a good grasp of knowledge on Islamic financing. Likewise, the result is concurrent with the finding of Haron *et al.* (1994) that almost 80% of the Muslim and 50% of the non-Muslim

respondents are willing to use the Islamic financial products and services if they acquire a good knowledge of the system.

7.2.3 Perception Analysis on Patronage of Islamic CGS

The respondents perceive that there is a difference between the Islamic and conventional guarantee scheme and feel that the promotional aspect of the Islamic guarantee scheme is insufficient, which is parallel to the analysis on their awareness of the similar issue previously. Furthermore, a majority of them neither agree nor disagree on whether the Islamic guarantee scheme will add value to their business. This can be derived from their lack of understanding of the Islamic guarantee schemes, or there is no distinguish features that possessed by the Islamic guarantee scheme over the conventional scheme that can be a pulling factor towards the Islamic guarantee schemes, as illustrated by Ahmad and Haron (2001) and Siddiqui (2001) on the public perceptions of products duplication from conventional to Islamic banking particularly in Malaysia.

The respondents point out that they will only use the Islamic guarantee scheme due to the following reasons: financial facilities offered (65 respondents), religious obligation (51 respondents), recommended by the staff (27 respondents), and a small number of respondents have responded by stating that any type of financing without a specific reason. The result implies that the characteristics of the financial instrument are the main factors that will be considered by the respondents. First, although religion becomes the second main factor in their list of choice, the importance of religion is derived by the large portion of respondents are Muslims. Thus, religious sentiment plays an important factor in the decision making. Nevertheless, the situation may be different if the respondents' religious backgrounds are more diverse and the main criteria that will be evaluated are the distinguishable features of the financial instruments. Therefore, product innovation and development must be given top priority by the Corporation in order to attract more clients to utilize the scheme.

7.2.4 Analysis on Participant Perceptions of Employees' Qualifications

Having good human resources is one of the important aspects that will determine the success of a particular organization. In this study, a majority of the respondents agree that dealing with the employees who are having comprehensive knowledge of Islamic finance and banking, and the ability to explain well about the Islamic guarantee scheme without bias is very important. This finding is parallel to Dusuki and Abdullah's (2007: 153) findings that "customers highly regard knowledgeable and competent personnel coupled with friendly and courteous values to be the most important criteria in patronizing Islamic banks."

In addition, most of the respondents acknowledged that they had good experiences when dealing with the officers who were managed the Islamic financial products, either at CGC or the bank, as the officers did not practice bias while giving explanation about the Islamic and conventional banking. In the past, when the Islamic banking was recently introduced in the country, the officers that were managing the Islamic banking sector were mainly from conventional backgrounds who were transferred to the Islamic banking divisions. Thus, many of them did not have a good grasp of Islamic finance knowledge and values embedded in their hearts and minds. As a result, when customers asked about the difference between the Islamic and conventional products, they tended to be skeptical by saying that both schemes were similar. This kind of attitude did not help in developing the sector.

However, based on the result in this study, it confirms that the situation has changed and a remarkable transformation in the Islamic financial sector has been witnessed, especially in human capital, particularly in Malaysia. The efforts put by the government through establishing various institutions and training centers to improve and equip the workforce with the necessary skills show the positive results. Amongst the institutions established are International Center for Education in Islamic Finance (INCEIF), Islamic Banking Institute of Malaysia (IBIM), and many courses on Islamic Finance provided by various local universities, such as International Islamic University of Malaysia (IIUM), Universiti Teknologi MARA (UiTM) and some others. Having said that, although most of the

respondents show favorable attitude towards the staff working in the Islamic financial sector, they do not rate the services received as efficient. Instead, they regard them as neither inefficient nor efficient. This can be attributed to the some cases when the services received are not as good as they have anticipated, as the services must be varied from one financial institution to another, which mostly depend on the management itself.

In addition, the study also finds that even though the technological advancement has transformed the landscape of modern banking inclusive of Islamic financial institutions, such as the implementation of online banking and phone banking, however, the direct human touch is still needed and play a pivotal role in the industry. Berry (1989) suggests that the services offered in the market are more or less the same and priced comparatively, however, the differentiator is the quality of service given to the customer. In other word, many financial institutions can provide the tip-top technological devices in their premises. However, at the end of the day, the difference is measured in term of treatment received by the customers from the employee of the company.

The rapid change in the banking and financial sector requires the staff to keep on improving and equipping themselves with the updated knowledge of the sector. The respondents have ranked that the most important parties that are responsible in ensuring the staff have a good quality of knowledge is the consumer association, the employees themselves, followed by employers, bank association and lastly the government. It is interesting to note that a majority of the respondents pick consumer association as the main party that should play important role in encouraging employee to increase their knowledge. This may be due to their feeling that consumers can express to the management their concerns and desires on what and how the services should be delivered to them. This is in line with the consumerism movement which has become more visible and vocal especially in Malaysia. Besides that, one cannot deny that the employees themselves must take control on their self-learning since the benefits of having an updated knowledge can lead to promotion, job satisfaction, and recognition from customers. Likewise, employers should assume responsibility to ensure that the development of their employees since it will contribute to the high productivity of the

organization and the training modules can be structured with the help from the bank association. Furthermore, the support from government is needed in order to create a conducive environment in terms of tax deduction and financial assistance such as study loan, sufficient place for learning, qualified lecturers *etc.* for staff who may choose to pursue part-time study.

7.2.5 Analysis on Government's Role

The study reveals that a majority of the respondents neither agrees nor disagrees about the effort that has been put by the government in order to promote and encourage the entrepreneurs to employ the Islamic guarantee scheme provided by CGC. Furthermore, they also do not believe that any scheme, or programme introduced by the government is beneficial for them, although, theoretically the services offered by the government is for the benefits of the citizen due to the fact that the former is responsible for the latter. Moreover, the development of the business activities in the country will bring benefits to the nation as a whole. Perhaps, the less optimism amongst the respondents towards the issue may cause by the glitches in some of the government campaigns or programmes, which do not achieve its intended result. One of the best examples is the government campaign to reduce the number of smokers in the country, which is in fact has grown since the inception of the program.

Moreover, one should be aware that not every program created by the government is suitable for every organization due to the different nature of the business, management plans, business strategies and others. In contrast, despite the neutral approach chosen by most of the respondents when it comes to the perception of government created schemes and programme, most of them agree that its involvement in campaigns organized for Islamic guarantee scheme will increase the credibility of the scheme, and instill trusts amongst the entrepreneurs.

Furthermore, as known by many, Malaysia is a country that practices dual banking system, as the Islamic and conventional banking are implemented side by side. Therefore, it is very common for the government to produce policy that sometimes favored one

system over another. Although it may be viewed as its standard practice, the community especially the public and the entrepreneurs do not really have a clear view on such strategies and the government's actions to promote both Islamic and conventional banking (consisting the guarantee schemes) systems is viewed as inconsistent by the public. It is unfair to say that the government does not publicize its policies well as most of the government policies are reported in the mainstream media and Parliament's hansard. Thus, this can possibly be explained by the respondents' ignorance towards the news on country's development or the lack of understanding on what has been reported in the media.

Nevertheless, the steps taken by the government to position Malaysia as a regional hub for Islamic finance and banking seems to bring positive impact in this context is towards the SMEs community as most of the respondents agreed that the actions have help to raise their awareness of Islamic finance and banking. The greater government involvement in the campaign instills more confidence amongst the entrepreneurs. This is not a surprise because the public has a positive attitudes towards the government.

The rapid development of the Islamic banking in Malaysia for the past 25 years is largely supported by the government and its campaigns to promote the industry amongst the Malaysians by endorsing various favorable policies, establishing the bodies with specific functions towards the industry, road shows and intensive campaigns for the public, incentives and others facilities that have marked how extensive is the government's involvement on the industry at the early stage until now. Therefore, what CGC needs to proceed is to formulate programmes and strategies on how to market and promote their Islamic guarantee scheme.

7.2.6 Summary of Findings

Chapter 6 provides a detailed analysis of the data collected in response to the research questions set in Chapter 1 and the preceding discussion aims at contextualizing the results in an interpretative manner. To present the results in a more systematic manner, Table 7.1, 7.2 and 7.3 provide a summary of findings.

Table 7.1 Analysis on the Awareness and Perception amongst the Respondents

Questions	N	Mean	Std. Deviation
B3. Do you agree that the information on Islamic guarantee schemes is widespread amongst the SMEs community?	87	2.9310	1.10804
B4. I know there is difference between Islamic guarantee schemes and conventional guarantee schemes.	87	3.9195	.93035
B5. I will always use financing based on Islamic principles whenever possible.	87	3.8851	.92038
C1. I suppose there is difference between Islamic guarantee scheme and conventional guarantee scheme in term of credit facility.	87	4.0230	.77725
C2. I feel that Islamic guarantee scheme will add value to my business.	87	3.5747	.84402
C4. I think that CGC has done a good job to promote Islamic guarantee scheme.	87	2.8276	.89191
Valid N (listwise)	87		

Table 7.2 Analysis on Employee's Qualification

Questions	N	Mean	Std. Deviation
D1. I feel more confident liaising with staff that has comprehensive understanding of Islamic finance and banking.	87	4.1609	.69673
D2. The officer can explain about Islamic guarantee scheme well whenever I asked him.	87	3.5747	.70928
D3. When I am liaising with the CGC's or bank's officer, I assume that he/she has a sufficient knowledge about the products.	87	4.3103	.73628
D4. The officer on some occasions told me that there is no difference between Islamic guarantee scheme and conventional guarantee scheme.	87	2.5632	.87206
D5. How do you rate the service and advice given by the officer on Islamic guarantee scheme?	87	3.4253	.64035
D6. I do not need the advice as I can decide myself.	87	2.5862	1.07348
Valid N (listwise)	87		

Table 7.3 Key Findings of the Survey

Question	Findings based on perception
1. Government's role on awareness and perception.	Participants find government's role as crucial, but not significant enough in increasing awareness and stimulating positive perception.
2. Religiosity and its impact on Islamic guarantee utilization.	Respondents' religious background influences the choice made when seeking for financing. However, the impact is smoothed by the needs of engaging with financial instrument that is suitable with their businesses need.
3. Awareness on CGC.	Most of the participants are aware about the existence and functions of CGC, however, they deemed that the availability of information on Islamic guarantee scheme is not widespread enough.
4. Understanding on Islamic financing concept.	Majority of respondents aware about the existence of Islamic banking. However, they do not understand well the concept of financing, even tough, they might utilize the service. The usage of Arabic terms is creating confusion amongst them.
5. Staff knowledge and its impact on the Islamic guarantee scheme and the Corporation.	The respondents view that having qualified and knowledgeable staff is important as it will contribute to the image and reputation of the bank or company.
6. Types of business and its relationship on the needs of seeking for financing.	The more complex the nature of business, the higher the needs for outsider's financing, such as banks.
7. Size of business and its consequence towards the needs for financing.	The larger size of business, the more its needs for outsider's financial assistance, like banks.
8. Government's role and its impact on employees' qualification.	Most of the respondents feel that government involvement in ensuring the Islamic banking sector is operated by the qualified and knowledgeable people is paramount, due to the fact that the government can regulate the policies which directly command the entities in the system to comply.
9. Government's role in formulating policies for financial system.	The respondents expressed their confusion on the action of government in promoting the Islamic banking, and at the same time, the government is also strengthening the conventional banking system.
10. The difference features between Islamic and conventional banking, and its impact on the willingness to use the services.	Although majority of the respondents agreed that there is difference between Islamic and conventional banking (the non-Muslims were also agreed on this), it does not significantly influence them to choose the Islamic financial services.

7.3 Implications of Findings

The study is not really exhaustive in nature due to the short period of field study which is about three months and resulting with a small sample of respondents (87 participants). Nevertheless, it gives some insight on certain issues which can be investigated further in the future. The study indicates that the reputation of CGC amongst the SME community is well-known, but, the information on the products particularly on the Islamic credit guarantee scheme is very scarce and not widespread enough amongst the entrepreneurs. The mediocre performance of the Islamic guarantee scheme as compared to its conventional counterpart illustrates the competitiveness of the scheme despite growth in the Islamic guarantee scheme's performance.

Generally, most of the entrepreneurs either Muslims or non-Muslims are willing to utilize the Islamic guarantee scheme when it comes to securing guarantee for financing, if only the information on the scheme is available and the features of the scheme are distinguishable compared to the conventional. Furthermore, their awareness of Islamic banking and finance is good due to the efforts made by the government in promoting the sector. Thus, the Corporation should capitalize on this advantage by leveraging on product development and intensive promotion on their Islamic based products.

It is clear that apart from lack of information and promotional aspect on the Islamic guarantee scheme, which also affects the Islamic banking system, the industry should formulate product that is authentic and not duplicated from the conventional. Apart from that, the government is still the main actor in the sector as any action and policy made will bring direct impact.

Even though the government has been the backbone of the development on Islamic finance and banking in Malaysia, there are issues particularly on the public understanding of the government's policies and actions on several financial matters. The implementation of dual banking system, although it gives flexibility, encourages competition and efficiency, it also creates confusion particularly to those who are isolated from the information on

the country's economy and banking. The isolation may be due to the fact that ignorance attitude, low level of educational background, time constraint to get information *etc.*

In conclusion, some policies must be formulated and implemented to ensure that the development of the Islamic banking and finance encompasses every facet of the banking and financial sector including the business guarantee aspect.

7.4 Recommendations

Based on the implications from the findings on the Islamic guarantee scheme, several suggestions are given to be implemented as solutions for the stated problem.

7.4.1 Setting-up a Dedicated Division on Islamic Based Guarantee

In practice, there is no specific division that manages Islamic guarantee scheme as the same officers handle every application whether it is conventional or Islamic guarantee scheme. Therefore, there is no specific focus that stresses on Islamic guarantee scheme since the ultimate objective is to help the SMEs expanding, either via Islamic or conventional guarantee schemes. Although the objective is parallel to the mission of CGC in terms of development for Islamic guarantee scheme specifically and Islamic finance generally, it does not help at all.

The purpose of having a separate division is to promote efficiency and enhance focus on Islamic guarantee based. By having two separate divisions, Islamic and conventional, it may create competition, resulting in creativity especially in marketing and product development, whereby the needs for them are very critical. This separate division can be deemed as a stepping stone before the creation of a subsidiary for Islamic based guarantee. This is a strategy implemented by the Islamic banking sector, from the creation of Islamic banking window to Islamic banking subsidiary and full fledged Islamic banks.

7.4.2 Promotion on Islamic Guarantee Scheme

The Corporation has been doing a good work in terms of promoting its products. However, it is ironic that the SMEs community is still not very familiar with the Islamic based guarantee despite the intense promotional campaigns taken by CGC. A critical investigation should be conducted on this issue in order to investigate further the root cause of the problem so that in the future the promotional activities will meet its objectives.

7.4.3 Explanation on Government Policies

The study reveals that a large portion of the respondents are confused with some of the government's policies particularly on the financial aspect when they see that at one end the government promotes Islamic banking and finance, and on the other it is strengthening and promoting the conventional banking system. This issue may not be a serious threat since many Malaysians are well educated to distinguish between. However, this can be one of the factors that can impede and delay the growth of the whole sector of Islamic finance and banking. Therefore, the explanation should be given not only at the higher level but down to the grassroots especially to the entrepreneurs since they are the one who deal with various financial instruments.

7.4.4 Changing the Name of the Scheme from Arabic to English/ Bahasa Melayu

It is a normal practice whereby the Arabic terminologies are used to describe each of the Islamic guarantees scheme or any Islamic financial products in the banks. It may be appropriate to employ these terms, however in this local context, it rarely gives a proper and clear view of the scheme. In the Malaysian context, Bahasa Melayu is the national language and English is widely used in the business transactions. The use of Arabic terms in describing the Islamic guarantee scheme has created some problems during the primary data collections stage of this research. For instance, it was common during the survey that the respondents asked about terminology like "what is *Murabaha*", "I have used the Islamic scheme but I cannot remember the name" *etc.* The questions are not only raised by the non-Muslims but also the Muslims. This result is consistent with the findings of Ahmad and Haron (2001) which found that 75% of their respondents have



limited and partial understanding of the scheme. The inability to pronounce or remember the name of the scheme or product contributes to the ignorance or lower level awareness of the product.

7.5 Conclusion

The chapter attempts to further discuss the empirical results of the study based on the four variables: awareness, perception, government's roles and employees' qualifications. The empirical outcomes are not only analyzed, discussed and contextualized within the framework of this study, but also in relation to relevant previous research. In addition, the implications of the findings are measured within the context of CGC, and despite the time constraint while conducting the study, some meaningful results are produced. Participants' awareness is generally good but surprisingly many of them do not know that CGC also provides Islamic guarantee based schemes. Furthermore, the promotional and marketing aspects need to be revised and the government may want to reconsider its policies in terms of reaching out to the entrepreneurs. As a consequence, four suggestions are proposed; namely the setting-up of a specified Islamic guarantee based division, the critical evaluation of the promotional aspects, employing national language (Bahasa Melayu) and English when developing a product instead of Arabic, and lastly a more enthusiastic attitude from government to increase awareness.

Chapter 8: Conclusion

Small and Medium Sized Enterprise, or SMEs, is part and parcel of the main components in every nation's economy. As the evidence from the literature indicates, they contribute to the development of the economy through employment opportunities, innovation, and returns for the government in form taxes. Due to such crucial contributions, governments put effort to develop and encourage growth of this sector, which is the case in Malaysia. The establishment of CGC, a semi-government agency with commercial initiatives is one of the steps taken by the government to see the SMEs moving forward and successful with the provision of credit guarantee schemes. It is important to note that due to demand conditions and also due to government's strategy to expand Islamic financing opportunities in Malaysia, Islamic finance has involved in SME financing and also provide Islamic finance versions of credit guarantee schemes.

The rapid development in Islamic finance and banking has been affecting the whole banking system in the world. Malaysia is considered a country which has a comprehensive Islamic finance system and undisputedly amongst the leading countries in Islamic financial sector development. The intention of the government to position Malaysia as the regional hub for this booming sector has influenced various entities that are involved in the financial and business sectors in this country. The transformation of Islamic window in conventional banking into Islamic subsidiary, the license given to foreign Islamic banks to operate in Malaysia, the establishment of INCEIF as the center of learning in Islamic finance and various other programs implemented by the government has shown the serious ambition of Malaysia in this sector. As a result, CGC, which is one of the business and financial entity that involves directly with the entrepreneurs has developed their services and products by offering the *Shariah* compliant guarantee scheme. The schemes are Islamic Banking Guarantee Scheme and Direct Access Guarantee Scheme (Islamic).

The Islamic guarantee scheme has shown a commendable performance from year to year since its inception. However, in terms of comparison, with the conventional scheme, the Islamic guarantee schemes performance can be considered below par. Though one can conclude that the performance of the Islamic guarantee scheme is following the trend in the financial sector that shows a growing signs of Islamic banking, (it is still behind the conventional banking in term of overall performance). Hence, one needs to analyze the reasons for the magnitude of the difference between the two schemes are noticeable.

This study attempted to find the source of this divergence and underperformance of Islamic CGS. The mail questionnaires were distributed to the SME entrepreneurs to gauge their experiences, opinions, perceptions, attitude and behavior towards the CGC, the Islamic guarantee scheme and the Islamic finance itself. In addition, phone interview is conducted between the researcher and the CGC's officer to deepen the understanding of the operational aspect of the Corporation.

The findings of the survey are interesting and informative. In general, the entrepreneurs are aware of the development of Islamic finance in Malaysia and they are also familiar with the functions of the CGC. Most of them are also prepared to adopt the Islamic financing provided that the service is available. However, the entrepreneurs are in the view that the Islamic guarantee scheme should have distinguishable features in order to attract the potential clients to engage with the services. As for now, the Islamic and conventional guarantee schemes bear apparent hallmarks. Nonetheless, some adjustments are necessary in order to make the scheme '*Shariah* compliant', such as by having the activities financed by the scheme must not contradict with the *Shariah* regulations. For example, not involve in business prohibited by Islam. In addition, the floating rate of interest as practiced in conventional guarantee scheme is changed to fixed profit rate between the client and the bank and a certain amounts of fixed administration fee for CGC.

The study also discovers that the operational aspect of the scheme should accommodate the needs of the clients. As for now, the CGC only acts as a guarantor for the business,

whilst the financing is provided by the bank. Therefore, the management of the Islamic guarantee scheme is different from one bank to another, and it will depend on how the bank develop its Islamic guarantee scheme products, either based on *murabahah*, *mudharaba* and *bai' bithaman ajil* concepts etc.

It should also be mentioned that the promotional aspects of the Islamic guarantee scheme cannot be ignored, as the respondents indicate that the information on the scheme is not widespread enough. However, this may be change when CGC has fully implemented its transformation plan, as it will give the Corporation opportunity to access to a wider audience.

The involvement of the government to ensure the development of Islamic finance including the Islamic guarantee scheme cannot be denied. The initiatives taken by the government through policy making, road shows, conferences, the establishment of various agencies and many others steps taken to develop the industry not only aim to bring positive impacts to the society but also to the activities of the SMEs. Such positive role displayed the government is consented by majority of the respondents. However, since Malaysia is practicing dual banking system, i.e. Islamic and conventional operating together, sometimes the actions taken by the government to encourage the development of both systems cause confusion among the entrepreneurs. As the results, clear explanation is needed when every new action wants to be implemented and the information should be provided to the target clients, namely the SME proprietors.

The effectiveness of the Islamic guarantee scheme is not visible enough since the utilization of the scheme amongst the SMEs is very small, and for the past six years, the value guaranteed is less than 3% from the total guarantees issued for both schemes; conventional and Islamic (as explained in Chapter 3). Nevertheless, a majority of the respondents are in view that the Islamic guarantee scheme will add value to their businesses.

In conclusion, the Corporation should be commended for promoting and developing the Islamic guarantee scheme. However, as the evidence from this study indicates, (much work is necessary and a lot can be improved) for the future so that the Islamic guarantee scheme can be at par, if not better than conventional guarantee scheme.

APPENDIX:

Questionnaire Form

Sila (x) di kotak yang disediakan bagi jawapan anda. Please (x) in the box that best represents your answers.

Seksyen/ Section A: General Information

A1. Gender

(1) lelaki/male ☐

(2) perempuan/female ☐

A2. Agama/Religion

(1) Islam ☐

(2) Buddha/Buddhist ☐

(3) Hindu ☐

(4) Kristian/Christian ☐

(5) Lain-lain/Others _____ (sila nyatakan/please state)

A3. Jenis Perniagaan/Type of business

(1) Persendirian/sole proprietor ☐

(2) Perkongsian/partnership ☐

(3) Sendirian berhad/Limited company ☐

(4) Syarikat berhad/Public limited company ☐

(5) Lain-lain/Others _____ (sila nyatakan/please state)

A4. Jumlah pekerja syarikat/Size of business employees

(1) Kurang dari 5 pekerja/Less than 5 employees ☐

(2) Antara 5-19 pekerja/Within 5-19 employees ☐

(3) Antara 20-50 pekerja/Within 20-50 employees ☐

(4) Antara 51-150 pekerja/Within 51-150 employees

☐

A5. Sekiranya anda memerlukan pinjaman bagi pembiayaan perniagaan, dari manakah anda akan mendapatkan pinjaman tersebut/ If you need money for business reason, would you borrow from?

(Anda boleh pilih lebih dari satu jawapan/You may choose to pick more than one answer).

☐ Bank atau institusi kewangan Islam/Bank or Islamic financial institution.

☐ Bank atau institusi yang menawarkan pembiayaan konvensional/Bank or any financial institution that offers conventional loans

☐ Keluarga atau rakan-rakan/Family or friends

Lain-lain/Others _____ (Sila nyatakan/Please state).

A6. Pernahkah anda menggunakan skim jaminan kredit dari Syarikat Jaminan Kredit Malaysia (CGC)/Have you used credit guarantee facilities from the Credit Guarantee Corporation (CGC)?

(1) Ya/Yes (Jika ada sila ke soalan A7/If the answer is yes, please proceed to question A7).

☐

(2) Tidak/No (Jika tidak, sila ke bahagian B/If the answer is no, please proceed to Section B).

☐

A7. Apakah jenis jaminan tersebut/What kind of credit guarantee facilities have you used?

(i) Skim jaminan berasaskan Islam/ Islamic based guarantees.

Contoh/ For example: [Skim Jaminan Perbankan Islam (SJPI), Skim Jaminan Laluan Terus Islam (SJLT-i), Skim Jaminan Islam ENHANCER (ENHANCER~i)/ Islamic Banking Guarantee Scheme (IBGS), Direct Access Islamic Guarantee Scheme (DAGS~i), ENHANCER Islamic Scheme (ENHANCER~i)].

☐

(ii) Skim jaminan berasaskan konvensional/ Conventional based guarantees.

Contoh/ For example: [Skim Jaminan Utama Baru (SJUB), Skim ENHANCER (ENHANCER), Skim Jaminan Usahawan Kecil, Skim Jaminan Laluan Terus (SJLT), Skim Jaminan Anjal/ New Principal Guarantee Scheme (NPGS), Credit Enhancer scheme (ENHANCER), Small Entrepreneur Guarantee Scheme, Flexi Guarantee Scheme, Franchise Guarantee Scheme etc].

☐

(iii) Saya pernah menggunakan skim jaminan kredit dari Syarikat Jaminan Kredit (CGC), tetapi saya lupa jenis skim tersebut/ I know that I have used the credit guarantee

☐

facilities from CGC, but I do not remember the type of the scheme, either conventional or Islamic based.

A8. Apakah tujuan pembiayaan tersebut diperlukan/ What is purpose of the loan?
(*Anda boleh pilih lebih dari satu jawapan/You may choose to pick more than one answer*).

- ☐ Modal awal perniagaan/Initial set-up capital
- ☐ Modal pusingan/Working capital
- ☐ Pembesaran perniagaan/Business expansion

Lain-lain/Others _____ (Sila nyatakan/Please state).

Seksyen/ Section B: Awareness

B1. Adakah anda tahu yang Syarikat Jaminan Kredit (CGC) ada menyediakan jaminan berteraskan konsep kewangan Islam/Do you know that CGC provides credit facilities based on Islamic financing concept?

- (1) Ya/Yes (Jika ada, sila ke soalan B2./If the answer is yes, kindly proceed to question B2). ☐
- (2) Tidak/No (Jika tiada, sila ke soalan B3/If the answer is no, kindly proceed to question B3). ☐

B2. Saya tahu tentang skim jaminan kredit berteraskan Islam dari/ I know about Islamic guarantee scheme from:

(*Anda boleh pilih lebih dari satu jawapan/You may choose to pick more than one answer*).

- (1) Media elektronik/Electronic media (tv, radio, internet etc). ☐
- (2) Media cetak/Printed media (surat khabar, majalah/newspapers, magazines etc). ☐
- (3) Bank atau institusi kewangan/Bank or financial institutions ☐
- (4) Syarikat Jaminan Kredit/CGC (melalui laman web, staff di CGC, brosur/website, CGC's staff, brochure). ☐
- (5) Keluarga/Family ☐
- (6) Kawan/Friend ☐

(7) Badan professional/ Professional organizations



(8) Lain-lain/Others _____ (sila nyatakan/please state)

B3. Adakah anda bersetuju maklumat tentang kewujudan skim jaminan Islam diketahui dengan baik di kalangan usahawan kecil dan sederhana/ Do you agree that the information on Islamic guarantee schemes is widespread amongst the SMEs community.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

B4. Saya tahu adanya perbezaan di antara skim jaminan Islam dan skim jaminan konvensional/ I know there is difference between Islamic guarantee schemes and conventional guarantee schemes.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

B5. Saya akan menggunakan perkhidmatan kewangan berasaskan syariat Islam sekiranya perkhidmatan tersebut ditawarkan/ I will always use financing based on Islamic principles whenever possible.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

Seksyen/ Section C: Perception

C1. Saya rasa terdapat perbezaan di antara skim jaminan berasaskan konsep Islam dengan skim jaminan konvensional/ I suppose there is difference between Islamic guarantee scheme and conventional guarantee scheme in term of credit facility.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

C2. Saya rasa skim jaminan Islam akan memberi kelebihan kepada perniagaan saya/ I feel that Islamic guarantee scheme will add value to my business.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

C3. Saya akan menggunakan skim jaminan Islam kerana/ I think I will use the Islamic guarantee scheme because of the following reasons:

Anda boleh memilih lebih dari satu jawapan/ You can choose more than one answer.

- (1) Kewajipan agama/Religious duties ☐
- (2) Dicapulkan oleh staff CGC atau bank/ Recommended by CGC's staff or bank staff ☐
- (3) Kemudahan kewangan yang ditawarkan/ Financial facilities offered ☐
- (4) Saya hanya menggunakan tanpa sebab/ I use either Islamic or conventional guarantee scheme without any specific reason ☐
- (5) Lain-lain/Others _____ (sila nyatakan/please state).

C4. Saya rasa Syarikat Jaminan Kredit (CGC) telah mempromosikan skim jaminan Islam dengan baik/ I think that CGC has done a good job to promote Islamic guarantee scheme.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

Seksyen/Section D: Kelayakan Staff/ Employee's Qualifications of Credit Facility Offering Institutions

D1. Saya merasa lebih yakin berurusan dengan pegawai yang mempunyai pengetahuan yang mendalam tentang kewangan dan perbankan Islam/ I feel more confident liaising with staff that has comprehensive understanding of Islamic finance and banking.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

D2. Pegawai tersebut dapat memberikan penjelasan yang baik setiap kali saya bertanya soaln tentang skim jaminan Islam/ The officer can explain about Islamic guarantee scheme well whenever I asked him.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

D3. Apabila saya berurusan dengan pegawai di CGC atau di bank, saya menjangkakan dia mempunyai pengetahuan yang mencukupi tentang skim tersebut/ When I am liaising with the CGC's or bank's officer, I assume that he/she has a sufficient knowledge about the products.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

D4. Pegawai tersebut pernah menyatakan tiada bezanya di antara skim jaminan Islam dan skim jaminan konvensional/ The officer on some occasions told me that there is no difference between Islamic guarantee scheme and conventional guarantee scheme.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

D5. Bagaimana anda menilai perkhidmatan dan nasihat yang diberikan oleh pegawai tentang skim jaminan berteraskan Islam/ How do you rate the service and advice given by the officer on Islamic guarantee scheme.

Sangat tidak efisyen	Tidak efisyen	Berkecuali	Efisyen	Sangat efisyen
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Very inefficient	Inefficient	Neutral	Efficient	Very efficient

D6. Saya tidak perlukan nasihat kerana saya boleh memilih sendiri/ I do not need the advice as I can decide myself.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

D7. Siapakah yang anda fikir paling penting dalam meningkatkan tahap kelayakan pekerja di dalam industri kewangan dan perbankan Islam. ***Sila susun mengikut kepentingan dari 1-5 (1=paling penting dan seterusnya)***/ If you think that staff should further be trained, how do you rank in term of responsibility to increase employees' qualifications in Islamic finance and banking. ***Please rank from 1 to 5 (1=the most important and so on).***

- | | |
|---|-------|
| (i) Kerajaan/ Government | _____ |
| (ii) Majikan/ Employer | _____ |
| (iii) Pekerja/ Employee | _____ |
| (iv) Persatuan bank dan institusi kewangan Islam
/Islamic banks and financial institutions | _____ |
| (v) Persatuan pengguna/ Consumer associations | _____ |

Seksyen/ Section E: Government's Role

E1. Kerajaan telah memainkan peranan yang baik di dalam membantu mengembangkan skim jaminan Islam / The government have done a good job to help Islamic guarantee scheme growing in this country.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

E2. Apa sahaja skim yang disokong oleh kerajaan bermaksud bagus untuk saya/ Any scheme that is supported by the government means a good scheme to me.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

E3. Penglibatan kerajaan akan meningkatkan lagi tahap kepercayaan umum terutamanya industri kecil dan sederhana (IKS) terhadap skim jaminan berteraskan Islam/ Government involvement will increase the credibility of Islamic guarantee scheme amongst the public particularly the SMEs.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

E4. Kadangkala saya merasa keliru kerana kerajaan ingin mengembangkan kedua-dua jenis skim iaitu skim jaminan berteraskan Islam dan skim jaminan konvensional/
Sometimes I get confused when I see that the government is trying to promote Islamic and conventional guarantee schemes simultaneously.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

Government's role-employees' qualifications

E5. Saya rasa kerajaan patut mewajibkan pegawai yang bekerja di dalam bidang kewangan dan perbankan Islam untuk memiliki kelayakan yang sesuai di dalam bidang tersebut/ I believe that the government should make it compulsory for the staff who is working in the Islamic finance and banking sector to have appropriate knowledge in the field.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

E6. Langkah kerajaan mewujudkan institusi yang menawarkan kelayakan di dalam bidang kewangan Islam akan meningkatkan tahap kecekapan dan pengetahuan pekerja/ The move taken by the government to establish institution that offers qualification in Islamic finance will increase the efficiency and knowledge of the employees.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

Government's Role-Awareness

E7. Langkah kerajaan untuk menjadikan Malaysia sebagai pusat kewangan Islam serantau telah meningkatkan tahap kesedaran saya tentang pembiayaan berasaskan Islam/ Government initiatives to promote Malaysia as a regional financial hub in Islamic finance and banking industry have raised my awareness on the Islamic financing products.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

E8. Saya sedar yang kerajaan telah memberi banyak insentif terhadap usahawan yang menggunakan skim jaminan berteraskan Islam/ I know that the government has given many incentives to the entrepreneurs who are using Islamic guarantee schemes.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

Government's Role-Perception

E9. Saya rasa jika insentif terhadap pelanggan yang menggunakan skim jaminan berteraskan Islam ditambah, maka lebih ramai lagi yang akan menggunakan skim tersebut/ I think if more incentives given to Islamic guarantee scheme's clients, it is likely that more entrepreneurs will utilize the services.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

E10. Saya rasa inisiatif kerajaan untuk mempromosikan skim jaminan Islam tidak memberi perbezaan kepada saya/ I believe that the program initiated by the government to promote Islamic guarantee scheme is indifferent to me.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

E11. Lebih banyak program yang dianjurkan kerajaan untuk pembiayaan secara Islam, lebih yakin saya untuk menggunakan skim pinjaman berteraskan Islam/ The more programmes organized by the government on Islamic financing, the more confident I am to utilize the Islamic guarantee scheme.

Sangat tidak bersetuju	Tidak bersetuju	Berkecuali	Bersetuju	Sangat bersetuju
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

E12. Sila nyatakan sekiranya anda mempunyai sebarang komen tentang skim jaminan berteraskan Islam/Please state if you have any opinion on Islamic guarantee scheme.

Terima kasih di atas kerjasama anda. Thank you for participating in this survey.

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